Austria .... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din 0.650	Italy .... L 1300	S Arabia .. Rls 6.00
Belgium ... BFr 42	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.80	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rin 4.25	Taiwan ... NT $65
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

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Attitudes on EEC integration explored, Page 12

World news

Justice demand for dam victims

Italian President Francesco Cossiga demanded justice for victims of the Tesero dam disaster after leading mourners at a mass for the dead, now officially numbering 197. "There are responsibilities for this inhuman tragedy," he said.

Government inquiries are under way into the collapse of the dam at Stava, 3km from Tesero. Formal legal warnings have already been issued, including to one of the two brothers who owned the dam and a nearby mine.

Spanish gas blast

Nine people died when an explosion believed to have been caused by a gas leak wrecked a crowded supermarket in the Andorran village of Pas de la Casa, close to the Spanish border with France.

Soviet-Israel setback

Israeli Cabinet postponed a debate on relations with the Soviet Union because of fears that any renewal of ties had been jeopardised by disclosure of secret contacts between the two countries. Page 3

Austerity protest

Israel's 80,000 civil servants plan a two-hour strike today against the government's inflexibility over compensation for wage erosion and dismissals which form part of its austerity programme. Page 2

Israeli attack

Lebanese security sources said several people were killed and injured when Israeli helicopters and troops attacked the south Lebanese village of Gabrinka – the first such action for three months.

Textile talks

Western industrial nations and their Far East rivals in textile production begin talks tomorrow in Geneva aimed at renewing the controversial Multi-Fibre Arrangement.

Indian agitation

Rioting continued in the Indian state of Gujarat, leaving at least another 40 dead, despite a truce between authorities and groups protesting against reservation of jobs for underprivileged classes. Page 2

French N-fuel plan

France is seeking British support for the establishment of a joint nuclear fuel reprocessing plant in the Rhône Valley as an alternative to UK plans to build a reprocessing complex in Scotland. Page 2

Soviet ambassador

Soviet Communist Party propaganda chief Boris Stukalin was appointed ambassador to Hungary, a move seen by Western diplomats as demotion.

Abortion hotline

Spanish health authorities will open a telephone service to give women information on new abortion laws that they fear conservative doctors will withhold, El Pais newspaper reported.

Monsoon toll

Floods in the northern Punjab have killed at least 27 people, bringing the death toll in India's current monsoon season to 59.

Portuguese trial

More than 50 alleged members of the Portuguese urban guerrilla group FP-25 go on trial amid tight security precautions in Lisbon today after the shooting of a key witness. Page 2

Big winners

Bernard Hinault of France won the Tour de France cycle race for the fifth time – a feat equalled only by his countryman Jacques Anquetil and Belgian Eddy Merckx. Frenchman Alain Prost won the British motor racing grand prix in a McLaren, and Briton Sandy Lyle won the British Open Golf Championship.

Business summary

U.S. steel group hit by all-out strike

WHEELING-PITTSBURGH, seventh biggest U.S. steel company, was hit by a walk-out of all 8,200 workers at its nine plants who were protesting at the company's plans to cut their wages and benefits by up to 30 per cent.

Wheeling, which lost $60m last year and $25m in the first quarter of 1985, was last week given permission by a bankruptcy court to void its contract with the steelworkers' union. Page 2

CHINESE Government has approved proposals by engineers of Britain's National Coal Board for a large coal mining scheme, which might involve equipment orders estimated at £80m ($112m). Page 5

CHINA'S surging industrial growth is likely to be slowed in the rest of the year by curbs on credit and capital construction, according to the Economic Planning Commission. Industry grew three times faster than planned in the first half at 23.1 per cent.

FINLAND'S trade surplus in the first half of 1985 fell to FM 2.6bn ($435m) compared with FM 3.8bn a year earlier.

PAKISTAN'S current-account deficit for the year to June was $1.63bn, an increase of $600m on 1983-84.

SINGAPORE'S economy is bogged down and faces difficulties, said first deputy premier Goh Chock Thong. Page 2

NIKKEI-DOW market average in Tokyo shed 9.12 to 12,797.86 after trading on Saturday.

FRANCE has finally announced terms under which it is to renegotiate the $4bn credit raised in 1983 at the height of pressure on the franc. Page 15

COMPANIES

ELECTRA Investment Trust and Candover Investments of the UK have launched a plan to assemble up to £300m ($420m) as a standby facility for use in large UK management buyouts. Page 5

UK OFFICE of Telecommunications is expected to call on British Telecom to place a temporary limit on its orders for AXE digital public telephone exchanges made by Thorn-Ericsson, a joint subsidiary of Thorn EMI and L. M. Ericsson of Sweden. Page 5

NATIONAL INTERGROUP, U.S. steel and financial services concern, reduced its losses in the second quarter to $12.3m from $17.9m in the first three months. Strong financial services profits helped to offset losses of $8.6m and $10.8m from aluminium operations and its half share in National Steel. Page 15

U.S. CABLE system operators won a key victory when an appeal court ruled out a federal requirement that they carry all local broadcasts watched by a significant number of people free of charge. Page 2

SOUTHERN LIFE Association, South Africa's fourth largest life assurer, will today offer 23 per cent of its shares to the public for R162m ($85.6m) in the biggest initial public offering in the history of the Johannesburg Stock Exchange. Page 15

UPI, the struggling U.S. newsagency, has filed an application in bankruptcy court to terminate its union contract, saying it must get wage and benefit cuts to help it find a buyer. Page 15

MULTIMEDIA, the U.S. TV station, cable television and newspaper group, agreed to pay $113.86m for the 1.83m shares, or 9.75 per cent stake that Mr Jack Kent Cooke has acquired as part of his bid to win control of the group. Page 17

COMINCO, diversified Canadian zinc and fertiliser producer, suffered a C$6.6m (U.S.$4.9m) loss in the first half, compared with a C$20.1m profit in the corresponding period a year earlier. Page 17

LOCKHEED, U.S. engineering and defence group, increased its second-quarter earnings by 11.5 per cent to $87m, representing a slowdown in growth stemming from pressure on margins. Page 15

Police arrest 119 under S. African emergency law

THE PROCLAMATION of a state of emergency over large areas of the Transvaal and the Eastern Cape by President P. W. Botha of South Africa on Saturday night was swiftly followed yesterday by the arrest of 119 people under the extensive powers granted to the police and other law enforcement agencies, writes Anthony Robinson in Johannesburg.

At least 22 of those arrested were in a bus which was returning to Johannesburg from the funeral of four black community leaders in Cradock in the Eastern Cape. The bus was stopped by police en route and taken to the John Vorster Square security police headquarters in Johannesburg. Police also set up road blocks while troops moved into the East Rand township of Kwathema yesterday morning.

One of the consequences of the emergency is expected to be further limitations on press reporting on unrest in the townships, and Gen Johann Coetzee, chief of police, is due to meet local newspaper editors and foreign correspondents today to explain the new rules.

The state of emergency, which applies to 36 magisterial districts, mainly in the Transvaal and the Eastern Cape, covers the main gold mining areas of the East and West Rand and also Sasolburg, site of the country's first oil-from-coal plant, as well as the main focus of unrest in 11 months of violent protest which has cost more than 450 lives.

In his announcement on radio and television on Saturday night, President Botha said the Government was no longer prepared to tolerate "acts of violence and thuggery mainly directed at the property and person of law-abiding black people which take the form of incitement, intimidation, arson, inhuman forms of assault and even murder."

The proclamation, made in terms of the Public Security Act of 1953, came into effect at midnight on Saturday and increases the already extensive powers of arrest and detention available under existing security and other legislation. It empowers any member of the security forces – the police, the army, the railway police and those in the prison service – to arrest any person without a warrant and to detain them for 14 days where they may be interrogated by any member of the force. Detention may be extended if decreed by the Minister of Law and Order who may also impose any condition on those released from detention.

Access to detainees will only be possible on permission from the Minister of Justice or the Commissioner of Police, and no person will be entitled to any information about or received from detainees. Furthermore, any member of the security forces may search any person, premises or vehicle in the designated areas and may seize any article. It also becomes an offence to disclose without authorisation the identity of arrested people.

The maximum penalty for offences under the emergency regulations is imprisonment for 10 years or a fine of up to R20,000 ($11,000).

Although only 36 magisterial districts are covered directly by the emergency regulations the law enforcement agencies have also been granted wide powers to extend the areas if necessary; to control the movement of people and traffic; to close any public or private place business or industry; to control essential services; impose curfews and control the gathering and distribution of news or any other action deemed necessary by the Commissioner of Police.

The granting of such wide powers of detention and arbitrary arrest and search has been widely condemned by anti-apartheid, church, and opposition groups inside South Africa.

Botha tightens the screw, Page 12

UK and Ireland close to pact on Ulster

By Margaret van Hattem in London

BRITISH and Irish negotiators have entered the final and toughest phase of bargaining which should determine, over the next couple of weeks, whether they will reach agreement on the future of Northern Ireland.

While both sides are deliberately damping down expectations, in the knowledge that the deal might still fall apart, indications are that an agreement will be signed at a bilateral summit this autumn.

Much of the package has already been agreed in principle – enough to convince both governments that to pull out now would be disastrous, setting back progress for several years.

Instead, the agreement that is emerging would directly involve the Irish Government in the running of Ulster in a way calculated to undermine support for extremism on both sides of the sectarian divide.

The principle elements of the agreement include:

- A framework agreement – Dublin insists it should not be called a treaty – for a new Anglo-Irish relationship, largely along the lines of the fifth chapter of the New Ireland Forum report, which laid down principles for accomodating the Unionist and nationalist traditions in the north. Central to that was on insistence that neither tradition should be allowed to dominate the other, that there should be equal rights and opportunities for all and that new arrangements should be freely negotiated and agreed to by the people of the north, and separately, by the people of the south.
- A council or committee of ministers – the name has not yet been agreed – to some extent modelled on the EEC Council of Ministers, in which London ministers and their Dublin counterparts would develop policy in such areas as the economy, administration and politics, security and tha courts.
- A security commission, comprising ministers from both governments, the Ulster Chief Constable and the Dublin Police Commissioner, again with a policymaking role.
- A parliamentary body, in which members of the House of Commons and the Irish Dail (parliament) would debate Anglo-Irish affairs.

All those elements have been agreed in principle. There is also an understanding – although it would not formally be included in the agreement – that the British Government will bring forward separate proposals later this year for a new attempt to devolve power to Ulster political leaders. That would be

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Record trade deficit a key factor in devaluation of lira

BY ALAN FRIEDMAN IN MILAN AND MAX WILKINSON IN LONDON

THE ITALIAN lira has been effectively devalued by 8 per cent against the seven other currencies in the European Monetary System (EMS) after its spectacular collapse on Friday.

The decision was taken on Saturday night at the end of an eight-hour meeting in Basle of top European monetary officials. Having seen the lira touch its lowest permitted point against the D-Mark on Friday and tumble by 20 per cent against the dollar, the European Monetary Committee, composed of senior EEC central bankers and monetary officials, agreed to a 6 per cent devaluation of the Italian currency and a 2 per cent revaluation of the other seven EMS currencies.

Dr Hans Tietmayer, State Secretary at the West German Ministry of Finance, who chaired the Basle meeting, said that the lira devaluation reflected not just its fall on Friday but concern among all EMS members about Italy's record trade deficit.

That has been fuelled by faster growth in Italy than in other European countries which has sucked in imports. The trade deficit reached L14,554bn ($8bn) in the first five months of the year – 75 per cent of last year's entire deficit of L19,000bn.

The Italian currency crisis comes just as the five-party ruling coalition of Sig Bettino Craxi is negotiating a programme designed to renew the Government's mandate for the next 12 months. Among key issues under discussion this past week have been the economy and the sharing of power in Italy's state television network. The latest crisis and devaluation might have an impact on the important five party talks which resume today.

The new central parity rates for currencies in the European Currency Unit (Ecu), expressed in terms of the national currency per Ecu, are (former figure in brackets):

Irish punt	0.724578	(0.72569)
French franc	6.86402	(6.87456)
Danish krone	8.12857	(8.14104)
Dutch guilder	2.52208	(2.52595)
D-Mark	2.2384	(2.24184)
Belgian franc	44.832	(44.9008)
Lux. franc	44.832	(44.9008)
Italian lira	1520.6	(1403.49)
Br. pound	0.555312	(0.585992)
Drachma	100.719	(87.4813)

Since agreement on the devaluation within the EMS could only be secured by accompanying austerity measures, the Italian Government announced on Saturday a package issued in the form of a decree, designed to reduce the 1985 public-sector budget deficit by L6,286bn. The 1985 total public-sector deficit is forecast to be around L100,000bn.

Among the revenue-generating and spending reduction measures, which will still need to be approved by Italy's parliament, is a proposal to shift the *scala mobile* wage indexation system from a quarterly to a twice-yearly review.

European officials have indicated that the Italian Treasury's suspension of dealings in the lira on Friday came as a bolt from the blue. Any discussion about devaluation in Rome appears not to have percolated far in the rest of Europe.

Saturday's talks in Basle centred on the manner in which the devaluation should be announced. Italian officials would have preferred a slightly more general realignment to disguise the plight of the lira.

There appears to have been some discussion whether the D-Mark might move up against all other currencies, but that was rejected quite quickly. The disguising of part of the lira's devaluation as a revaluation of all other EMS currencies is regarded by officials as purely cosmetic.

Ministers had been standing by for a meeting yesterday if agreement could not be reached by their officials. But it is now clear that ministers had no wish to spend a weekend wrangling over a problem that is regarded as peripheral to the central parities of the EMS.

Italy's three leading trade unions – CGIL, CISL and UIL – signalled on Saturday their willingness to a six-month review of wage indexation. That in itself is striking as it follows last spring's bitter battle between Communist unions and the employers over controversial cuts in the *scala mobile* decreed by Prime Minister Craxi. His cuts were confirmed in a nationwide referendum last month.

Sig Craxi said at the weekend that "the Italian economy has an absolute need of a general consensus agreement. An autumn without agreement would represent a serious halt to our current cycle of growth."

Sig Giovanni Goria, the Treasury Minister, said yesterday that the

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Background to the revaluation, Page 3

Paris and Bonn seek to tighten defence policy

BY DAVID HOUSEGO IN PARIS

FRANCE and West Germany are expected to take steps towards reinforcing their security collaboration at an important summit meeting between President François Mitterrand and Chancellor Helmut Kohl at the end of August.

The fresh initiative is seen as giving further impetus to the project for European political union that the two countries tabled at the EEC summit in Milan last month and coincides with a virtual all-party shift in French defence thinking towards a more European defeoce policy.

At the same tine, the French hope that closer Franco-German military co-operation will be accompanied by the West Germans rallying to the French position in the dispute over the European fighter aircraft – a dispute in which France currently finds itself isolated.

Reflecting the emphasis to be given to security questions at the summit, Chancellor Kohl has already said in public that he intends to question President Mitterrand at the meeting on recent declarations by the French Socialist party that France's nuclear deterrent should be used to defend West Germany. Such German interest comes within the context of increasing talks within the West German administration of a Franco-German "security community" and of a "European defence initiative."

Senior French officials say the strengthening of defence ties might be marked by the French defining more clearly the role they intend for the newly created, 47,000-strong Rapid Deployment Force – thus spelling out more clearly their readiness to come to West Germany's assistance early in a European conflict.

French officials say that France and West Germany might also agree to strengthen consultation procedures in the event of a European crisis.

Since coming to power, both President Mitterrand and Chancellor Kohl have already taken steps to strengthen mutual security co-operation between the two countries by reviving the defunct clauses of the 1963 Elysée treaty, which provided for regular talks on security issues between the two countries.

French officials now say that they would expect President Mitterrand and Chancellor Kohl to consult together on the use of French tactical nuclear weapons in the event of a European conflict – a consultation that would have by no means been agreed practice with several of their predecessors.

While formally distancing themselves from the Socialist Party's declaration on the use of the French deterrent, the officials concede that there has been an evolution in French defence thinking towards using the deterrent to defend France's "vital interests" in the full sense of that term.

They find nothing to quarrel with in the recent statement by former President Valéry Giscard d'Estaing – in itself an advance on the position he took while President – that "the invasion of West Germany would gravely put at risk the ultimate security of France." M Giscard d'Estaing said that it might thus precipitate the use of French nuclear weapons.

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Split decision from Opec likely on change in price differentials

BY RICHARD JOHNS IN GENEVA

A MEETING of oil ministers from the Organisation of Petroleum Exporting Countries today promises to be a stormy one with the issue of price differentials likely to dominate early discussions.

Last night it looked unlikely that the ministers would be able to reassure the world oil market about Opec's ability to prevent further erosion of crude oil prices.

Venezuela is likely to go its own way in matching Mexico's price cuts announced 10 days ago – Mexico is not an Opec member. But Algeria, Libya and Iran still adamantly oppose any reductions. They were the members that dissociated themselves with the majority agreement adjusting price differentials six months ago.

Sheikh Ahmed Zaki Yamani, Saudi Arabia's Oil Minister, confirmed yesterday evening that his Government was seeking another change and any adjustment would involve lower price for heavier crudes.

But if there is no revision agreed on decreasing the prices, instead of raising rates as happened in January, Saudi Arabia is understood to be reluctant to take any unilateral action in the near future aimed at boosting its flagging output. It is currently running at little more than 2m barrels a day (b/d) of which 800,000 b/d is absorbed by domestic consumption.

Riyadh appears now to be prepared not to press to extreme its demand for a guaranteed minimum quota for a couple of months at least. That would give other members a chance to fulfil their renewed commitments to price and production discipline made a fortnight ago, as well as to obtain agreement on a readjustment of differentials.

Saudi Arabia is involved in close consultations with four U.S. majors which are its former concessionaires and traditionally its main customers as well as partners in its main producing operations.

Last Wednesday, two senior officials are understood to have met near Lausanne senior representatives of the companies that are partners in the operations of the Arabian American Oil Company. Their liftings have recently dropped to 500,000 b/d as a result of strict Saudi adherence to official selling rates at a time when most other Opec oil is being sold at a discount.

Mr John Kelberer, chairman of Aramco, is believed to be staying in Geneva awaiting the outcome of the meeting.

Iraq's claim for a higher output quota looked as though it would destroy any serious chance of the proposal, debated in Vienna earlier this month, for a 7 per cent cut in the present collecting ceiling of 16m b/d and pro rata reductions in individual members' shares. Worse, it might prove a totally disruptive issue at the meeting.

The demand was reconfirmed by Mr Qassim Taki, Iraqi Minister of Oil, before his departure for Baghdad.

Iraq wants Opec to concede it a quota of 1.8m b/d compared with 1.2m b/d now agreed, but has said that it will try to increase exports by the extra amount anyway, when it obtains extra export capacity through the spur line, scheduled to come on stream in September, linked to the Saudi transpeninsular pipeline to Yanbu.

Dr Mohammed Gharazi, Iran's Oil Minister, commented: "Any country that calls for an increase in its production quota is stabbing Opec from inside the organisation."

He said his country was in favour of a 7 per cent cut in the ceiling and quotas. So, too, did Dr Mana al Otaiba, chief delegate for the United Arab Emirates.

Saudi threat, Page 2

CONTENTS

OVERSEAS NEWS

A squabbling Opec meets today in yet another attempt to co-ordinate policy on oil prices and production, writes **Richard Johns** in Geneva

Saudi Arabia threatens to turn the oil price slide into a cascade

IN THE midst of its bleakest ever summer of discontent, the Organisation of Petroleum Exporting Countries (Opec) meets again today in Geneva, badly co-ordinated and squabbling as it struggles to resist the seemingly remorseless weight of market pressures rolling prices further downwards. Opec members now face the prospect of Saudi Arabia, whose strength has been mainly responsible for preventing a far more rapid descent, loosing its grip.

Saudi Arabia has given notice that its patience is running out and it is not prepared to let its output fall further. Saudi Arabia, almost alone among Opec members, has been charging what it should for its oil under the pact on production and prices. It accounts for most of the 70 to 75 per cent of collective output being sold at official prices, while the rest is being supplied at $1 to $3 below them.

Saudi output has sunk to little more than 2m barrels a day (b/d). That is less than half the 4.35m b/d it considers its quota under the present Opec accord, compared with the 3.8m b/d it could expect if collective production of 14m b/d—which has now probably fallen to below that level—were divided *pro rata* in line with agreed quotas. About 800,000 b/d is consumed on the domestic market at no profit to the state. Another 175,000 b/d is being sold on behalf of Iraq as a form of long-term financial aid, while some developing countries are receiving some free supplies.

Revenue-earning export sales are probably now little more than 1m b/d, barely enough to earn £10bn in a full year.

All the other members are well aware that if Saudi Arabia fulfils its threat—as yet only heavily implied—to raise its output by lowering its selling rates, then the slide in prices, temporarily arrested by uncertainty, could become a cascade. At the last, inconclusive Opec meeting in Vienna a fortnight ago, Sheikh Ahmed Zaki Yamani, the Oil Minister, said the kingdom was no longer prepared to be the "swing producer" absorbing any slack in demand for Opec oil.

The turnaround in Saudi Arabia's fortunes and policy has been remarkable. From 1979 to 1981, it consistently produced at more than 9m b/d as it sought to moderate price rises by charging less than other members, consequently raising its share of the Opec total from about 30 per cent to 45 per cent and building up its foreign assets to $160bn (£220mn). Even then, when per barrel revenues were much higher and collective output half as much again as it is now, there was resentment about Saudi Arabia's disproportionate share.

At the Vienna meeting, there was renewed commitment to discipline on prices and output, but overwhelming opposition to the lower rates for heavy crudes which might have helped Saudi Arabia to increase its sales. A Kuwaiti proposal for a 7 per cent cut in the Opec ceiling for the third quarter of 1985, with a rise of similar proportions in the fourth, seemed acceptable to a bare majority of seven, but insistent demands by Iraq and, to a lesser extent, Ecuador, were largely responsible for blocking it. Another was Algeria's rejection, for which no explanation was apparently given.

Algeria could have been expressing its opposition to the privileged position which Saudi Arabia has achieved in Opec. That is a matter of history, as well as muscle deriving from its oil reserves, but on grounds of fairness it would be difficult to justify. For most Opec members, it is difficult to acquiesce in an arrangement whereby the average Saudi, already with a far higher per capita income, is conceded at least 55 times as much oil as an Indonesian, 30 times as much as a Nigerian and 15 times as much as an Algerian. The majority feel that the kingdom, having profited highly from the fat years and having piled up enormous cash reserves, can and should tighten its belt for the sake of other members, not least those most heavily indebted.

In reality, it is not that easy to contract a stomach distended by years of over-consumption. As it is, the Saudi Government did succeed in cutting its budgetary spending from the equivalent of $84.22bn in 1981-1982 to $60.48bn in the fiscal year 1984-85 (ending March 21).

Over those years, revenues fell by more than half, from $108.88bn to $47.41bn.

In the process, the Saudi Government withdrew $22bn from its foreign assets. That apart, the cost of retrenchment has been negligible. Despite the growth of the private sector, state spending in Saudi Arabia remains the prime generator of economic activity, with the public sector still accounting for half of gross fixed capital investment and the oil sector about another 15 per cent. Gross domestic product probably fell in 1984-85 to the lowest level in real terms since 1978-79, as a result of lower oil production and prices.

Government payment delays have been endemic and fluctuating since the end of 1983. They were not responsible for any of the well-publicised troubles of some of the bigger contractors at the end of last year, but over-all it is estimated that as many as 1,500 enterprises may have stopped trading in the past two years. In Saudi Arabia, where the religious courts regard past payments of interest as repayment of principal, bankruptcy is very much a relative term, a fact which strikes horror into the hearts of bankers.

The 1985-86 budget projects an 8 per cent reduction in spending, together with what now looks a hopelessly optimistic 16 per cent increase in revenue. According to Mr Hisham Nazer, the Minister of Planning, the estimate was based on oil production of 3.85m b/d, although some analysts believe a larger output would be required. The budget was balanced at $85.4bn, indicating a determination not to draw on reserves this year.

In March, Mr Abdel-Aziz Zamil, the Minister of Industry and Electricity, put the value of the kingdom's foreign assets at $120bn. According to one senior Gulf official, the Government was drawing them down earlier this summer at about $1bn a month, a rate which presumably will have increased. Most analysts put the total now at about $100bn, although perhaps no more than $90bn, of which 60 to 70 per cent would be liquid or in instruments which could be realised relatively quickly.

Whatever the money available, the Saudi Government is clearly intent on drawing as little as possible from its reserves. Apart from the state's needs to pay its bills and ensure minimal revenue, King Fahd cannot afford to let the recession deepen to the point where there is a danger of it arousing dangerous discontent.

The indications are that Saudi Arabia will take no drastic action immediately but will delay any decision until autumn. Then, demand for Opec oil should be somewhat revived, giving other members a last chance to assert discipline and agree to any change in price differentials required to give the kingdom what it regards as its fair share of the cake.

Sheik Yamani: Kingdom no longer prepared to be the "swing producer" absorbing any slack in demand for Opec oil.

Peres moves to stem Cabinet leaks on closer Soviet ties

BY DAVID LENNON IN TEL AVIV

MR SHIMON PERES, the Israeli Prime Minister, blocked any discussion by the Cabinet about moves to improve relations with the Soviet Union.

One minister asked about a meeting in Paris last week between the Israeli and Soviet ambassadors to France, but the Premier decided to prevent any discussion in order to lessen the risk of leaks on a politically sensitive issue.

Officials in Jerusalem are concerned that the publicity surrounding the report of the meeting by Mr Avraham Sofer, the Israeli ambassador in Paris, may harm prospects for rebuilding relations that were broken off by Moscow at the time of the Israeli-Arab war of 1967.

Discusion at the private meeting between Mr Sofer and Mr Yuli Voronitsov, the Soviet Ambassador, centred on three topics: the resumption of diplomatic ties, Soviet Union participation in an international conference on the Middle East, and emigration of Jews from the Soviet Union.

According to a leaked version of the ambassador's report to Jerusalem, the Soviet Union expressed willingness to allow more Jewish emigration in return for Israel giving up most of the Golan Heights captured from Syria in the 1967 war.

While Israel has consistently opposed an international peace conference on the Arab-Israel dispute, Mr Peres did say recently: "Once the Soviet Union re-establishes diplomatic ties, there is no reason why the USSR should not have a place in the Middle East peace process."

Mr Yitzhak Shamir, the Foreign Minister, hopes to meet the new Soviet Foreign Minister, Mr Eduard Shevardnadze when they both attend the UN General Assembly in New York in the autumn.

Such a meeting would be viewed as a signal that the new Moscow leadership intends to continue the dialogue carried out during the last two years as a result of talks at the UN by the former Foreign Minister Mr Andrei Gromyko, and Mr Shamir.

Various diplomats and other Israeli experts on Soviet affairs have expressed doubt about the accuracy of Mr Sofer's report. They said it was unlikely that a highly disciplined Soviet diplomat would have criticised his own country's decision to break ties with Israel as having been "mistaken" and "emotional."

They found it even more unlikely that Mr Voronitsov would have stated openly that he was leaving the Paris post or speculated about his being transferred to Washington to replace veteran Soviet Ambassador Anatoli Dobrinin.

● Israel's 60,000 civil servants are planning a two-hour strike before noon today to protest at what they see as the Government's inflexibility in talks about compensation for wage erosion and dismissals, which are part of the Government's new austerity programme.

The Histadrut trade unions' federation has warned that there will be severe labour unrest if the Government fails to agree to give public sector workers the same compensation as worked out last week with the private sector.

Mr Peres was expected to meet last night with Mr Israel Kessar, the Histadrut secretary-general, to try to break the deadlock.

West Bank town planned to sack Arabs

MR Shimon Peres, Israel's Prime Minister, yesterday ordered his attorney-general to investigate plans by a Jewish town in the occupied West Bank to dismiss its Arab workers, Reuter reports from Jerusalem.

The Kiryat Arba Town Council agreed to dismiss the Arabs in a coalition agreement with Meir Kahane's anti-Arab Kach Party after it significantly gained strength in recent town elections.

The Prime Minister asked Mr Yitzhak Zamir, Attorney-General, to report on the agreement's legality.

Mr Amnon Rubinstein, Communications Minister, urged the Cabinet to consider disbanding the town Council for discrimination. Kiryat Arba is a stronghold of extreme Jewish nationalism overlooking Hebron, which is inhabited mostly by Palestinians.

Mr Shalom Wach, leader of the town council, said Kiryat Arba employed about nine Arabs. He told reporters that government austerity was forcing the town to cut back on staff, and council members had agreed that Jewish employees would be preferred to Arabs.

Israel has no law specifically outlawing racism, although, parliament is considering enacting one. Reuter

Arms, money 'pouring into Sidon camps'

BEIRUT – A Lebanese parliamentarian says money and large quantities of arms are pouring into Palestinian camps near Sidon amid fears of an attempt by Mr Yassir Arafat, the PLO leader, to provoke a conflict there.

Mr Nazih Bizri, Sidon deputy in the Lebanese parliament, indicated in an interview to be published today in the Beirut weekly, Monday Morning, that he believed Mr Arafat was trying to secure control of Ain al-Hilweh and Mieh Mieh camps as power bases in southern Lebanon.

He said Sidon's Syrian-backed Moslem leaders regarded pro-Arafat forces as "hostile elements and factors of tension and maybe confrontation."

"We have warned these people – we have asked them to leave the scene – but the danger remains very strong in the coming two months, and we hope Arafat will not act in his usual manner," Mr Bizri said.

He added: "We are confident that no hostilities will erupt. But should any incident happen, we will be prompt in cutting its roots to prevent it from spreading."

"If Arafat's men want a battle, we have numerous means to confront them... they will find no one in Sidon to co-operate with them," Mr Bizri said.

Many of the 22,000 Palestinians in the camps back Mr Arafat, but Sidon's Lebanese Moslem leaders, who are allied to Syria, support efforts by the pro-Syrian Palestine National Salvation Front (PNSF) to take control.

Asked to comment on reports that weapons and money were pouring into the camps, Mr Bizri said: "We do know that money is being spent on certain factions and personalities in order to... disintegrate the unified ranks (in Sidon) and provoke a conflict.

"There are also huge amounts of weapons," Mr Bizri said. However, city leaders were trying to persuade the Palestinians to maintain peace.

Mr Bizri said Moslem militias were manning checkpoints in Sidon and Palestinian fighters had been asked to stay inside the camps to avert friction.

Trial begins of alleged Portuguese terrorists

BY DIANA SMITH IN LISBON

THE TRIAL begins today in a reinforced courtroom outside Lisbon of Lt.-Col Otelo Saraiva de Carvalho and 73 civilians accused of being members of a terrorist group, the FP-25 (People's Forces of April 25).

Lt.-Col Saraiva de Carvalho widely remembered as "Otelo," prime mover of the bloodless military coup of April 25 1974 that overthrew Portugal's 48-year-old right wing dictatorship, is accused of being a founder of FP-25.

The group has been linked with a series of violent bank robberies, assassinations of businessmen and bombing attacks in 1980.

A suspect who had agreed to testify for the prosecution was shot and wounded on Friday.

Police said Sr Jose Manuel Rosa Barradas, 34, a so-called repentant member of the guerrilla group, was shot in a street near his home at Costa da Caparica, a coastal resort area near Lisbon.

The authorities are reported to have found incriminating documents at Lt-Col Saraiva de Carvalho's home near Lisbon, that justified his arrest in June 1984, soon after the first 45 FP-25 suspects were rounded up. More suspects were arrested and questioned subsequently.

Many international organisations have pressed for the release of the charismatic left-wing officer since he was arrested a year ago but the authorities have held firm.

After the 1974 coup, Lt-Col Saraiva de Carvalho veered sharply leftward from his former liberal stance.

African leaders see hope in OAU rescue plans

AFRICAN LEADERS are heartened by promises of joint action on a rescue plan for the continent's economies, but the road to survival and sustained growth is strewn with hurdles, African officials say, Reuter reports from Addis Ababa.

The plan, endorsed by an Organisation of African Unity (OAU) summit that ended Saturday, offers more than a glimpse of hope. But African Governments will have to show unprecedented political will if they are to put it into action, they say.

Beyond the problems of 150m hungry mouths and $170bn (£122bn) of debt, African Governments must also solve their chronic security problems of rebel wars, lawlessness and attacks from South Africa if they are to reach the plan's goals.

The OAU plan has two aims—a five-year crash programme to make the continent self-sufficient in food, and longer-term dialogue with the West and its financial institutions to bring about economic recovery.

The plan, the "Addis Ababa Declaration," gives Africa a chance to prove that it is serious about tackling its own problems and does not want to be eternally enslaved by the food aid loans of its former colonial masters, officials say.

Resolutions at the summit call on African governments to double their budgetary allocations to farming from around 10 per cent now to 25 per cent over the next five years. This will mean fewer resources for other sectors, except perhaps defence.

Wheeling-Pittsburgh steel workers strike

BY WILLIAM HALL IN NEW YORK

THE FIRST big strike in the U.S. steel industry in 27 years began early yesterday when 8,200 workers at the nine plants of Wheeling-Pittsburgh Steel Corporation, the country's seventh biggest producer, walked out.

The strike, over the company's plans to cut workers' wages and benefits by up to 30 per cent, comes at a critical time for the company which filed for protection under Chapter XI of the U.S. bankruptcy code last April.

It has warned that a strike would mean "the quick and certain death" of Wheeling-Pittsburgh. The company has invested heavily in new equipment and is said to have some of the most efficient steel plants in the industry.

However, it faces high operating costs and has been hit by the strength of the U.S. dollar which led to heavy imports from foreign steel producers. In common with the rest of the industry, Wheeling-Pittsburgh is heavily unionised and argues that its future survival depends on clawing back some of the generous wage concessions and benefits to which it agreed in the heyday of the U.S. steel industry.

The strike comes at a critical time for the whole industry and is being watched closely by the management and unions of other steel producers since it will have an important bearing on future wage negotiations.

Wheeling-Pittsburgh's nine plants stretch across Ohio, West Virginia and Pennsylvania and if the company is forced to close its facilities permanently because of the strike, it could affect the strength of the union in future bargaining sessions. The union has a $200m (£143.8m) strike fund and appears prepared for a long strike.

Many of the U.S. steel majors face serious financial problems and are pressing for more wage concessions from the United Steel Workers of America, which used to be one of the most powerful unions and whose members are amongst the best paid of the country's blue-collar workforce.

Last week the Pittsburgh-based Wheeling-Pittsburgh won court permission to abrogate its wage contract with the steel workers and impose a new wage and benefit package worth $17.50 per hour. The average hourly wage would be $8.10 under the proposed deal and the company is also insisting on changes in work rules which would eliminate many of the benefits which have become standard in the industry.

Washington welcomes Chinese President

By Nancy Dunne in Washington

America's vast natural resources and the garishness of its tourism enterprises, provided the backdrop yesterday for Li Xiannian, the Chinese President, on the first day of his 10-day state visit to the U.S.

It is not hydro-electric power but nuclear power which will highlight the Chinese visit in Washington where, after 15 months of controversy, a nuclear co-operation agreement is being readied for signing. The pact will make possible the sale of U.S. nuclear reactors and other technology long sought by the Chinese.

The ceremony surrounding the visit also will be the first formal public appearance for President Ronald Reagan following his recent cancer operation.

Although the agreement still must receive a Congressional nod, White House officials believe that Chinese assurances on nuclear proliferation will satisfy Capitol Hill. In addition to this symbolically important pact, other agreements are expected on Chinese fishing rights in U.S. waters, cultural relations and education.

President Reagan's illness is expected to limit his participation in the visit to a welcoming meeting tomorrow morning and a state dinner in the evening. Intensive discussion with administration and Congressional officials are expected on several thorny policy differences, including the perennial Chinese favourite—U.S. arms sales to Taiwan.

The Chinese are expected to express the hope that the U.S. will nudge Taiwan into accepting proposals for peaceful reunification. They may well also express their annoyance about threats to their textile exports.

U.S. court finds Saunders guilty

THE former chief minister of the British-ruled Turks and Caicos Islands and one of his Cabinet members were found guilty yesterday on drug conspiracy charges, Reuter reports from Miami.

Former chief minister Mr Norman Saunders, 41, first foreign head of government ever detained in the U.S. on drug charges, faces up to 30 years in prison. Former Commerce Minister Mr Stafford Missick, 47, could be jailed for up to 35 years.

Federal Judge John Moore delayed sentencing until September 6. Lawyers for both men said they would appeal.

Mr Saunders was convicted on six counts of conspiring to travel or actually travelling from his impoverished Atlantic island chain of 8,000 inhabitants to the U.S. to promote narcotics deals but was acquitted on a charge of plotting to import and distribute cocaine.

Mr Missick was found guilty on three counts for travel violations as well as conspiracy to import and distribute cocaine in the U.S.

Reagan appoints budget director

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan has chosen Mr James Miller, the chairman of the Federal Trade Commission to succeed Mr David Stockman as Director of the Office of Management and Budget.

Mr Miller, a conservative economist and an expert on government regulation, briefly headed the OMB's office of information and regulation in 1981.

Mr Stockman, the outspoken former member of the House of Representatives, is moving to the Wall Street investment banking firm of Salomon Brothers after leaving the OMB.

The appointment of Mr Miller, 43, will be seen as confirming expectations that Mr Donald Regan, White House Chief of Staff, is taking the opportunity presented by Mr Stockman's departure to appoint somebody who will stick closely to the White House line on budget policy. Mr Regan has been said to be operating a "search committee of one" in seeking Mr Stockman's replacement.

The appointment comes amid fears that the budget process has reached an impasse which could threaten many of the deficit reduction plans which the Senate approved.

The impasse drew harsh criticism from Mr Regan on Thursday when he called the Congressional decision to break "disgraceful."

Mr Regan's display of temper drew a swift response yesterday from Senator Robert Dole who, along with several other Republican senators, feels that President Reagan abandoned them when he agreed to a compromise framework for trying to settle the budget deficit which fitted more into the priorities of the Democrat controlled House.

Senator Dole said that Congress can do without criticism from Mr Regan in its search for a budget breakthrough. "We cannot do it without Ronald Reagan; we could probably do it without Don Regan," he said.

U.S. eases rules on cable TV

BY PAUL TAYLOR IN NEW YORK

U.S. CABLE television system operators and programmers have won another key round in their battle to liberalise federal and local government restrictions on the industry.

A federal appeals court struck down a federal government requirement that cable system operators carry free of charge all locally broadcast stations watched by a significant number of people.

The court ruled that the Federal Communications Commission (FCC) requirements, in place since the mid-1960s, "are fundamentally at odds with the first amendment."

The case, which could now go to the Supreme Court, was brought by Turner Broadcasting and Quincy Cable System.

Cable system operators argued that the regulations infringed their constitutional rights to decide what stations to carry and cable television programmers argued that the rules sometimes resulted in them being "frozen-out" of markets because all or most of the available cable channels were taken by local broadcasters.

The ruling is the latest in a series of victories for the U.S. cable industry which has been lobbying hard, and so far successfully, for an easing in federal and local rules.

In particular it could help cable television programmers, such as Turner Broadcasting, and pay-television premium channels like Time Inc's Home Box Office movie channel, who try to persuade local cable operators to offer their stations.

However, the court's ruling is seen as a serious set-back for local television stations—particularly those not affiliated to a large network or those that cater for a relatively small audience. The federal rules were originally framed to protect local broadcasters from competition from cable systems.

The FCC and local broadcasters have 45 days to decide whether to appeal.

Contadora peace bid resumes

BY DAVID GARDNER IN MEXICO CITY

THE CONTADORA Group's efforts to bring a negotiated peace to Central America resumed yesterday with a meeting at foreign minister level in Panama designed to relaunch the peace process after the failure of a similar meeting last month.

The effort was expected to be boosted by the establishment of a support group—probably made up of Argentina, Uruguay and Peru—to back the mediation efforts of the original Contadora nations, Mexico, Colombia, Panama and Venezuela.

Senior Mexican officials said recently that there was growing concern in Latin America at the slide towards confrontation in Central America.

Last month's meeting of Contadora deputy foreign ministers broke up in disarray after Nicaragua insisted that recently renewed U.S. aid for the Contras, guerrillas fighting to topple the Sandinistas and Washington's trade embargo against it be placed on the agenda.

Honduras, Costa Rica and El Salvador, the U.S.'s principal allies in the region, said the purpose of the meeting was to discuss the security questions, already contained in the revised Contadora Treaty.

The agenda for this week's meeting will be essentially the same, but it is hoped that this time a formula can be worked out to accommodate discussion of Nicaragua's additional security concerns.

Nicaragua was the only Central American country to agree to the first draft of the Contadora treaty last September. Since then following the objections of the pro-U.S. caucus in the region, discussions have centred on revising the treaty and strengthening its security provisions.

Minister says Singapore economy 'bogged down'

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S economy is "bogged down" and there are more difficulties to come, Mr Goh Chok Tong, the first Deputy Prime Minister admitted at the weekend.

Mr Goh, the most senior Minister after Prime Minister Lee Kuan Yew, was speaking to the Singapore Press just one day after a gloomy U.S. embassy forecast projected only 3 to 5 per cent growth in GDP this year.

His remarks provided the most detailed ministerial comment on Singapore's economic problems since first quarter growth figures, of an annual three per cent, suggested the country was heading for its lowest growth in a decade.

Although Mr Goh insisted that the Government was "working on the medicine" for Singapore's ailments, and would nurse the economy back to health he gave no indication of policy changes.

He revealed that first quarter investment commitments were "less than half what we would like to have."

Gujarat death toll rises to 240

By K. K. Sharma in New Delhi

HOPES that peace would return to the western Indian state of Gujarat have been sharply set back in the last three days as intense rioting and police firing led to at least 40 deaths. This takes the death toll in the five-month agitation against job reservations to more than 240.

Mr Amarsingh Chaudhury, the new Chief Minister of Gujarat, told the state legislature on Friday that agitation had been called off following agreement with protest leaders, on demands for suspending the rise in job quotas for the backward classes and tribes.

But soon after Mr Chaudhury's announcement, violence flared again when leaders of the agitation disagreed among themselves on the agreement with the Government. At least one powerful organisation has announced that the agitation will continue.

The agitation is being fuelled also by Government employees who have been on strike and whose call for a general strike today is expected to lead to more violence.

The disturbances are being dealt with by the state police. The army was withdrawn from the riot-affected towns of Gujarat last week in a futile bid to bring peace to the state.

The continuing violence in Gujarat is proving a serious embarrassment to Prime Minister Rajiv Gandhi even though constitutionally law and order is a state matter in India's federal structure.

Pressure is growing on Mr Gandhi to intervene directly.

Gujarat is one of the many states ruled by Mr Gandhi's Congress I party and the disturbances could be used by the opposition against him.

Analysis of Air India black box ends

SCIENTISTS finished analysing "black box" recorders from the Air India airliner which crashed near Ireland last month as a former Indian air force chief said yesterday he believed an explosion might have been responsible, Reuter reports from Bombay.

Mr John Young, a specialist from the U.S. National Transportation Safety Board, said U.S. experts had completed collection and analysis of information from cockpit voice and flight data recorder tapes in Bombay.

"More often than not we get questions from these boxes rather than answers. But we have now got the right questions to ask before we go about working on the wreckage," Mr Young said.

At least five U.S. aviation experts helping Indian scientists to study the recorders have said it is too early to draw any conclusion in an inquiry which could take months.

But former Air Chief Marshal Arjan Singh said in Delhi he personally believed an explosion might have ripped open the jet, sending it plunging into the sea.

More arrested over Austrian wine scandal

Austrian police detained three more wine merchants yesterday in connection with the doctored wine scandal which threatens to wreck Austria's wine trade.

Police made their first arrest yesterday. They said all four wine merchants were detained in the province of Burgenland, a large wine-growing region, and were being held in the provincial capital of Eisenstadt on suspicion of fraud.

In the past week West German authorities have impounded thousands of litres of Austrian wine

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LIRA DEVALUATION IN EMS REALIGNMENT

The events of 'Black Friday' that led Italy's Treasury to crisis point

BY ALAN FRIEDMAN IN MILAN

IN ITALY people are already referring to the events of Friday, July 19, 1985, as "Black Friday." Italy was hit by a twin disaster, one financial, the other human: the fall of the lira against the dollar caused an embarrassing currency crisis but tho collapse of a dam in the Italian Dolomites killed at least 200 holiday makers.

Prime Minister Bettino Craxi has ordered investigations into both disasters. However, it is already possible to partly reconstruct the bizarre series of events which led the Italian treasury to shut down the Milan foreign exchange market on Friday after the collapse of the Italian currency, as a prelude to Saturday's 8 per cent devaluation against other currencies in the European Monetary System.

It appears that late on Thursday evening Sig Craxi had talks with Giovanni Goria, the Treasury Minister, and Carlo Ciampi, the Governor of the Bank of Italy, about a devaluation.

The moment seemed propitious: the currency markets were calm, the Italian trade balance, fnolled by strong Italian import demands, had suffered a cumulative deficit in the first five months of this year of L14,544bn (£5.7bn) — 75 per cent of last year's record trada deficit.

Meanwhile, the five-party coalition Craxi Government was midway through discussions to set ont an oconomic programme for the next 12 months, inclnding ways to cut the country's runaway publie sector budget deficit, forecast for L100,000bn (£39bn) this year.

Then, on Friday, with the impending lira devalution still a Government secret, all hell broke loose: ENI, the state energy group, informed the Bank of Italy just after midday that it was going into the foreign exchange market to purchase $125m (£90m), needed to make a debt repayment.

The central bank, obviously aware of its own plans for a devaluation, advised ENI not to go ahead with the operation, but it was too late.

ENI had already given the buying order to one of Italy's biggest banks, the Istituto San Paolo di Turino. San Paolo went into the market in Milan, buying more than $70m even though its bigger market counterparts were unable to supply tha dollars; more dollars were purchased in Rome.

By 1.30 on Friday afternoon the lira was crashing by nearly 20 per cent against the dollar, having sunk from L1,839 to he dollar to L2,200.

The Italian treasury, informed of the lira's collapse, and also aware that the currency bad moved to tho absolute limit against the deutschmark acceptable under the EMS (L664.70 against the mark), took the extreme measure of closing down the foreign exchange market. At this point the eyes of the entire financial world focused on Italy and its currency crisis.

This chain of events bas already provoked a typically Italian exchange of accusations. It has been further confused by suggestions from the Milan market that while the ENI dollar operation was an important cause of the crisis, there had also been leaks on Friday morning of the impeuding devalnation which caused heavy dollar speculation in Rome.

It has even been suggested that the Italian Government might have stage-managed the entire affair to pressure its EMS partners to proceed with realignment.

Sig Goria has been sharply critical of ENI, even before the full facts are clear.

"ENI did not have any urgent need to acquire U.S.$125m on Friday because its debt repayment was not maturing until July 24," he said. This was why the Bank of Italy itself declined to provide the dollars to ENI.

The Bank of Italy did not intervene in the markets in defence of the lira. Why? It was argued by a senior government official that the central bank did not wish to prejudice the impending devaluation.

Sig Franco Reviglio, ENI chairman, bas written to Mr Craxi defending bimself by saying that the lira collapsed because of an incredible lack of contact between the Bank of Italy and ENI. ENI denies that its activity was speculative.

San Paolo di Torino described its role as "normal routine and told the Financial Times at the weekend that it went on buying dollars even as the exchange rate shifted dramatically "because we buy on the market at the market price."

Mr Craxi is said to be highly irrate with both ENI, and the Bank of Italy, but the only thing clear so far is that for the Italian Governmont, something went terribly wrong on "Black Friday."

Government pays for its months of scorn

BY JAMES BUXTON IN ROME

IN ONE tormented long weekend, beginning with the crasb of the lira, which a leading I/talian newspaper said made Rome the laughing stock of the European foreign exchange markets, Italian politicians have bumbly paid the price for disdaining economic problems during the past six months.

Ways of checking tha momentum of tha wage indexation system and measures to trim the public sector deficit have been idly discussed for months. But only last week officials of the Bank of Italy were despairing of the Government finding the will to implement them, at least befnre the autumn.

Because they were postponed for so long the measures had to accompany rather than precede the currency devaluation that sooner or later would have been necessary because of the wide inflation rate differential between Italy and its EMS partners.

The "storm clouds" as Dr Carlo Azeglin Ciampi, Governor of the Bank of Italy called them in his annual report at the end nf May, have been gathering for some time. In one sense the Italian economy has this year been the victim of its own success. It is growing for the second year running at about 2.5 per cent—nothing spectacular by past standards but faster than its two main trading partners, West Germany and France.

As a result, Italy has been sucking in imports at a voracious rate, and failing to export enough—so that the trade deficit in the first five months of this year was at L14,500bn (£5.5bn), already three quarters of the deficit for the whole of last year.

The balance of payments deficit for the same period reached L8,000bn, double the figure for the same period of 1984, and well in advance of official forecasts. Befor the devaluation the authorities expected a current account deficit of between $6-7bn (£5bn) for the year. Last year the current account deficit was about $3.5bn.

With the domestic economy more buoyant than export markets it was not surprising that Italian companies found it more remunerative to sell at bome rather than abroad. In European export markets the going was especially beavy because the lira was overvalued.

The last realignment in the EMS was in March 1983 and though the annual Italian inflation rate had fallen 7 percentage points since then (last year it finally dropped below 10 per cent for tha first time in 11 years) there is still a big inflation differential with other EMS members that has not been reflected in the exchange rate.

ITALIAN ECONOMY TABLE

	1983	1984	1985*
GDP growth %	−0.4	2.6	2.25
Current acount balance ($m)	602	−3,140	−4,500
Consumer prices % increase	16.5	8.25	7.5
Public borrowing requirement as % of GDP	16.4	15.4	—

* Forecasts
Source: OECO, June 1985

Although over the past few weeks the lira was allowed to drift down 2 per cent to the lower end of Italy's specially wide fluctuation band of 6 per cent against its central rate in the EMS, the Central Bank's aim was still to keep the currency relatively strong in order to hold down the price of imports as Italy tried to cut its inflation rate. It also wanted to belp companies import capital goods relatively cheaply

But the policy could not be sustained if politicians did nothing to keep down labour costs and make Italy more competitive by reducing the inflation rate, which has been stationary since last antumn at just under 9 per cent.

This meant cutting the government deficit which, at 13.5 per cent of gross domestic prodnct is nearly three times the EEC average, and was heading this year to reach L111,000bn compared with the original target of L96,800bn. Some form of incomes policy was also needed.

The two-year-old Government of Sig Bettino Craxi acknowledged these problems bnt did virtually nothing about them to avoid offending voters on the eve of important local elections in May — which Sig Craxi called o mid term test of the Government — and a referendum on last year's temporary block on wage indexation and the olection of a new President.

Only with the election over and a Government success won in the referendum, and with President Francasco Cossiga installed, could serious discussions on new economic measures finally begin.

The pace, however, scarcely matched the urgency of the situation. The Bank of Italy and Sig Giovanni Goria, the Treasury Minister, conclnded last week that a devaluation was essential and that it was pointless to spend the country's foreign exchange reserves postponing it.

The measures adopted by the Government on Saturday should only be a first step, although they sbould immediately make Italiau exports more competitive and trim internal demand.

The shifting of a triggering of the Scala Mobile indexation mechanism from three to six months—accepted in principle several mouths ago by all the unions—needs to be followed by a thorougb reform of indexation pay structure and labour laws.

The L6000bn worth of measures to reduce the deficit, still to be ratified by parliament, ought to be followed by permanent spending cuts. With no major election ou the borizon for three years, the Government has an unprecedented chance to make real reforms.

An obvious target is the pension system. This is simply far more generous than the country can afford and is appallingly badly run.

But MPs of virtually every political colour recoil at the thought of trimming the beuefits INPS bands out, especially to the 5m disability pensioners.

Sig Craxi says he intends to tackle these issues. The question is whether he will win the support of his coalition partners, for the necessary gruelling parliamentary battle.

Comic operatics take European monetary officials by surprise

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE DEVALUATION of the lira this weekend in an atmosphere near to comic opera, seems to have takeu monetary officials in the nther maiu capitals by surprise.

It follows a period nf almost unnatural calm in the European Monetary System, with all currencies, including the lira, remaining in an orderly manner well within their permitted bands.

The eight currencies subject to the Exchange Rate Mechanism are allowed to diverge by up to 2¼ per cent from a central rate measure in the European Currency Unit. However, the lira is allowed 6 per cent of latitude because of Italy's historic difficulty in controlling its finances.

The central rates for all currencies were last fixed on March 20, 1983 after a turbulent four years in which currencies were realigned seven times

Since 1983, the currencies in the ERM have enjoyed remarkable stablity within the system. Tbe traditionally weaker currencies, including the franc and the lira, have been bolstered by relatively high interest rates and by signs that the authorities have been controlling inflation.

French inflation, for example, is now running at an annual rate of 6.5 per cent, just below that in the UK, whereas in 1983, French inflation, at 9.5 per cent, was about twice the UK rate.

For both France and Italy, the advantages of lower exchange rate in helping exports bave been seen to be less important than the need to contain import prices in the fight against inflation.

In February, for example, the Bank of Italy made it clear that it bad no sympathy with some businessmen's calls for devalnation after a period in which the lira bad performed strongly within the EMS.

Most anxiety has therefore been directed to the effects that the grander movements of the dollar on EMS parities. As the dollar weakened, it was thought that speculative funds might flow ito the D-mark and force it towards the upper range limit.

So far this bas not happened, largely because of the British authorities' policy of maintaining high interest rates while they remain uncertain about domestic monetary conditions and the possible effects of a weakening oil price.

Quentin Peel adds from Brussels: The realignment of currencies within the excbange rate mechanism of the EMS will not have any immediate effect on EEC farm prices, European Commission officials said yesterday.

Effective prica changes will only occur once the green rates of the respective currencies ore changed at the initiative of the Commission — sometbing which noramlly only happens once a year, usually at the farm price fixing in the spring.

However, the realignment will certainly require a change in the monetary compensation omount (MCA) for Italy (border tax used to protect farmers from currency fluctuations), assuming that the lira depreciates on foreign exchange markets this week.

Under rules agreed last year, only negative adjustments are made in MCAs to compensate for currency realignments. With all the other currencies revaluing apart from the lira, the Italian MCA will take the full brunt of the change.

The change in the Italian MCA will depend on the performance of tbe lira on the foreign exchange markets, for it is recalculated weekly like the pound sterling and the Greek drachma,

WORLD TRADE NEWS

International backing given to code on ship registration

BY OUR GENEVA CORRESPONDENT

THE BASIC elements of an international agreement, which could eventually have important implications for ship owners using flags of convenience, have been accepted by delegations from some 100 countries.

The agreement defines the conditions on ownership, management and manning which countries, including those with "open registries" such as Liberia and Panama, should apply to ships sailing under their flags.

It could, bowever, be a decade or more before the agreement is ratified and its impact is felt.

Tbe source of tbe agreement is the UN conference on conditions for the registration of ships wbich completed its third session here on Friday. It was attended by delegations from the big shipowning nations, the developing countries and the socialist states.

Mr Lamine Fadika, the Ivory Coast Marine Minister who chaired the conference, said the document ogreed marked o "point of no-return" in shipping history. It defined the "genuine link" between a ship and the flag it flies, for wbich several UN conferences had called.

The principles represent compromises between the big shipowning countries and the developing countries who heve been pressing for action against flags of convenience, which they see as impeding their efforts to expand their own merchant fleets.

The wording of the agreement is in many cases loose. On ownership it says flag states should include "appropriate provisions" for participation by their nationals as owners of the ships flying their flags. The level of participation should be sufficient to permit the state to exercise effectively its jurisdiction and control over the ships.

Under conditions governing management, the flag state would have to ensure that the shipowning company is established or has its principal place of business within its territory.

However, failing that, the state should at least ensure the existence of a representative or "management person" who is a national of, or domiciled in, the state.

The manning clauses wonld require that a "satisfactory parl" of the complement of officers and crew are nationals.

The conference will hold a fourth session early next year to decide whether the document should take the form of a convention to be ratified by goveroments or be issued only as a recommendatory instrument.

Tbe potential importance of the agreement can be gauged from the fact that last year 202m deadweight lons, or 30 per cent of the world's shipping, sailed under the flags of open register countries.

World Economic Indicators

UNEMPLOYMENT

		June 85	May 85	April 85	June 84
U.S.	000s	8,413	8,413	8,426	8,228
	%	7.3	7.3	7.3	7.2
UK	000s	3,178.6	3,240.9	3,272.6	3,029.7
	%	13.1	13.4	13.5	12.5
		May 85	April 85	March 85	May 84
W. Germany	000s	2,192.6	2,304.6	2,474.5	2,133.2
	%	8.1	8.6	9.2	7.9
France	000s	2,282.6	2,338.3	2,419.8	2,167.5
	%	9.9	10.1	10.5	9.4
Italy	000s	2,907.2	2,932.6	2,973.3	2,683.3
	%	12.9	13.0	13.1	11.9
Netherlands	000s	737.0	748.1	773.4	807.2
	%	12.9	13.1	13.6	14.1
Belgium	000s	528.5	546.2	580.0	552.1
	%	12.8	13.2	14.1	13.4
		April 85	March 85	Feb 85	April 84
Japan	000s	1,570.0	1,740.0	1,640.0	1,680.0
	%	2.4	2.6	2.5	2.6

Source: (except U.S., UK, Japan) Eurostat

SHIPPING REPORT

Grain rates from U.S. reach seven year low

By Andrew Fisher, Shipping Correspondent

"MIRACLES would help," said London shipbroker Denholm Coates in a rueful comment on the lifeless state of the dry cargo markets. Grain rates from the U.S. last week were at their lowest for over seven years and shipowners are laying np more vessels.

Tanker markets were also slack, as general confusion about the world oil pricing structure combined with the summer holiday season in the northern hemisphere. There was some rise in activity from most looding areas, bnt the tonnage surplus is still high.

Denholm said that bulk carrier vessels in the small- to medium-size ranges (20,000-75,000 tons) were being laid up by owners in berths around the eastern Mediterranean. Others were simply waiting around for cargoes.

But the lay-up solution would take time to have on effect. Hence the call for miracles. The grain rate from the U.S. Gulf to continental Europe was $6 (£4.3) a ton against $10 or so late last year. To Japan, it was only $11 compared with $16 in November.

Galbraith's, another UK broker, said the serious overtonnaging on the Pacific and Atlantic was unlikely to be reversed in the next few months. Last week, it said, "gloom continued to pervade the market."

Greece signs deal to buy 40 Mirages

Greece has signed a contract to buy 40 French Mirage-2,000 fighter aircraft to modernise its air force, Renter reports from Athens.

Greek Air Force chief Lieutenant-General Dimitris Apostolakis, who signed the deal with the company Dassanlt, said the first aircraft would be ready for delivery in 1988.

He said parts of the aircraft would be manufactured in Greece under a co-production programme. The cost of the contract has not been disclosed.

U.S. moves to end Gatt stalemate

BY WILLIAM DULLFORCE IN GENEVA

THE U.S. attempt to organise new international trade negotiations has been haulked. Furthermore, the very survival of the General Agreement on Tariffs and Trade (Gatt) is being questioned after the failure of its council last week to agree on the convening of a meeting of senior officials to prepare for new negotiations.

The U.S. will this week take the unprecedented step of asking Sr Felipe Jaramillo, the Gatt chairman, to call e speciol session of the organisation's 90 contracting parties to discuss the issue. This is being billed as o make or break effort to get the new round of trade talks going.

Simultaneonsly this week trade ministers from some 60 developing countries will he meeting in New Delhi at o meeting convened by India, one of the firmest opponents of the trade talks, at least in the guise envisaged by the U.S.

The purpose of the Delhi meeting is to formulate plans for a general system of trade preferences between developing countries but the latest American effort to push Gott into a decision will undoubtedly generate lively exchanges outside the conference.

The industrialised countries underestimated before last week's Gatt council meeting the resistance of a hard core of developing countries, headed by Brazil and India, to the proposition that a new round must encompass trade in services.

India has consistently argued that services do not fall within the competence of Gatt. Brazil has been the protagonist of "delinking," advocating some form of twin-track programme, possibly even under Gatt aegis, that would keep talks on services separate from negotiations to reinforce world trading in goods.

Brazil and its allies have sought guarantees on delinking from the industrialised countries before they agree to a meeting to prepare the negotiations.

The U.S., the European Economic Community and Japan have maintained that no pre-conditions are needed, since all questions about the manner and content of trade talks can he handled at tbe preparatory meeting.

The problem is that real differences over the purpose of the new round have degenerated into a squabble over procedure witbin Gatt.

American exasperation over the stalemate centres principally on Brazil. Mr Peter Murphy, the U.S. Ambassador, ralied against the "silly procedural manoeuvres" which at the end of a session lasting until 4.30 on Friday morning prevented the Gatt council from reaching o consensus. The manoeuvres were masterminded by Dr Paulo Nogueira Batista, the Brazilian ambassador.

In the view of the industrialised nations a few countries, which together account for only a very small part of world trade, are blocking the way to trade negotiotions, in which the large majority of Gatt members, including meny developing countries, have declared inlerest.

The U.S. is trying, with the support of the EEC, Japan and Canada, to bypass the procedural obstacle by calling a special session of Gatt.

It may well obtain tbe backing of the 46 Gatt members it needs to force through a special session. Only 23 developing countries signed a paper last month spelling out their objections to, and reservations about, the new trade talks.

But more developing countries than the hard core around Brazil and Indie will have doubts about hreaking with the Gatt tradition of moving through consensus.

Brazil's ettitude remains en enigmo. It appears to attribute Machievellian intentions to the Reagan Administration in Washington, arguing that the U.S. is trying to open up world markets for its bankers, insurers and other purveyors of services at the same time as it hinders through protectionist measures exports to the U.S. by developing countries badly needing revenue lo service their debts.

That reverses the argument deployed by U.S. negotiators who claim that, unless the developing countries agree to trede talks, the protectionist pressures on the Reagan Administration will prevail and the Gotl free trade system will collapse.

China cancels order for Taiwanese motorcycles

BY BOB KING IN TAIPEI

ONE OF Taiwan's largest manufacturers of motor cycles, which had hoped to profit from the boom in indirect exports to China, through Hong Kong, is now serving as an example of the perils of such trade.

Paijifa Industrial, which manufacturers small motor cycles largely for sale on the domestic market was caught off guard last week when Chinese importers allegedly cancelled without explanation an order for more than 6,000 machines. The move forced an indefinite closure of the company's plant, and the lay-off of several hundred workers.

The cancellation also left the company more than $1m (£714,000) in debt for the motor cycles, which it had, according to local press reports, already completed and was preparing to ship. The reports said the company's president had issued post-dated cheques worth more than $2m in expectation of the Chinese letters of credit through its Hong Kong agent.

The case, which could spell the demise of Paijifa, underscores caveats from Taiwanese economic planners, who have warned manufacturers here of over-reliance on the China market while turning e blind eye to indirect trade.

Taiwan officially proscribes any links, including trade, with mainland China with which it has been technically ot war for almost 40 years.

But recent government pronouncements, that have in effecl said that it did not care about, nor did it wisb to know abont trade transactions through third countries, have pushed Taiwanese exports to China through Hong Kong, to record levels in recent months.

Taiwan views China's ettempt to woo Taiwanese exports as yet another "uniled front tactic" to subdne this island economically.

Although the cancellation of orders from Paijifo reflects nothing more than a shortage of foreign exchange in China, it may nonetheless prove a sobering experience for manufacturers here, who had hoped to win a share of that market.

Brazil airlines press for more international flights

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE Brazilian Government is coming under beavy pressure from Vasp and Transbrasil, the country's second and third-ranked airlines, to end the monopoly of international scheduled flights enjoyed by Varig, Brazil's successful international flag carrier.

Vasp wants to convert its charter flighl route from Sao Paulo to the Caribbean and Orlando, Florida, into a regular flight. No answer bas yet been received from the Civil Avietion Department in Brasilia.

Transbrasil, meanwhile, bas not yet given up hope of a charter routa from Rio de Janeiro to Lille in France—regarded as o first step towards e scheduled service abroad—despite an initial rebuff from the Government.

Behind this push to extend their wings abroad lies the hard numbers of recession-hit domestic passenger traffic. Passenger/kilometres flown feil 5.1 per cent in the first six months, compared with the same period in 1984

Vasp, owned by Sao Paulo state, and Transbrasil, a privately owned airline based in Brasilia, have had to scrap ambitious re-equipment plans and lease off existing aircraft

What annoys Sr Omar Fontana, the ontspoken Transbrasil president, and Sr Antonio Angarita, the state-appointed bead of Vasp, is that Varig has been largely spared these rigours, because of the 15-year monopoly it was awarded on international routes in 1973.

More than three-quarters of Varig's 1984 revenue of $954m (£681m) last year came from its external routes. Internally it is thought to have lost money; but, together with its sister company, Cruzeiro, it still managed to hong on to its 40 per cent share of the market.

Defending his company's position, Sr Hello Smidt, president of Verig, which is privately owned, warns that the entry of one or another Brazilian carrier onto international routes put the entire Brazilian aviation industry at risk.

According to Sr Smidt, Varig has Cruzeiro debts equivalent to $97m and hard currency debts outstanding of $732m, excluding interest payments.

Mitsubishi to import S. Korean car bodies

By John Griffiths

MITSUBISHI Motor of Japan is expected to import about 12,000 South Korean-produced passenger car bodies a year under a joint venture agreement signed with Hyundai Motors.

The agreement coincides with one between Mazda and another South Korean producer, Kia Industries, under which a sub-compact car is to be developed for marketing by Ford in the U.S. Kia is building a plant to produce the model at the rate of 120,000 a year.

Both ventures are widely seen in Japan as precursors to other similar deels lo lake advantage of South Korea's lower production costs.

Mitsubishi will instal engines ond other components at e plant in Japan lo produce finished cars for domestic sale; Hyundai will produce and sell its own completed version of the car on its home market. Total output of 30,000 cars a year is envisaged, starting early next yeor.

The car, which replaces Mitsubishi's 22-year-old "Debonair" luxury model, is being designed and developed by Mitsubishi.

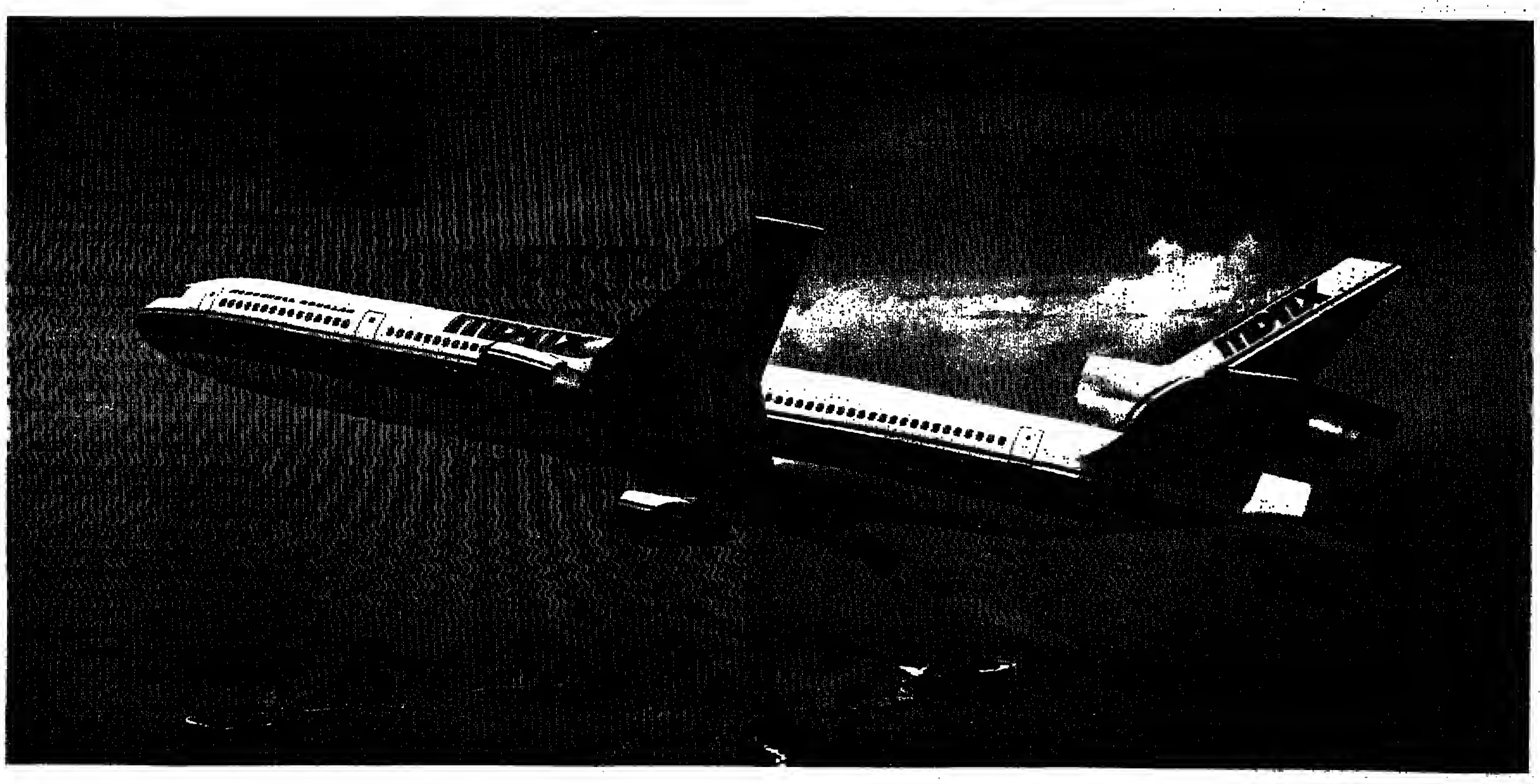
Hyundai, which produces the Pony, a small hatchback, end the Stellar, a Sierra-sized saloon, is shortly to launch an "X-car" halchback, but has no luxury model in its range.

The venture, which recently received South Korean government approval, could also involve lhe car being marketod in the U.S. Hyundai is setting up its own sales company in the U.S. through which it is likely to start selling its X-car next year.

By 1987, however, it is envisaged thet Mitsuhishi and Hyundai could be selling the larger car through their respective outlets.

The joint venture model is to be launched in Jepan in April. Eerlier this year, Mitsubishi Corporation and its vehicles subsidiary increased their equity stake in Hyundei from 10 to 15 per cent to further cement a relationship which began as a technical collaboration agreement 12 years ego.

The engines to be used in the new car, V6s of 2 and 3 litres, are also to be supplied to Chrysler, starting late next year. Some 400,000 a year are scheduled to be delivered over a five-year period.



Management buyout finance plan launched

BY JEREMY STONE

A PLAN to assemble up to £300m as a stand-by facility for use in large UK management buyouts has been launched by Electra Investment Trust and Candover Investments. If institutions respond as expected, this will be by far the largest facility of this kind put together in the UK.

Assuming that the full £300m is committed on the scheme, additional sources of loan finance could take the total capital available to the Electra Candover Direct Investment Plan over the £1bn mark.

The Electra Candover plan is intended to meet an increasing demand for finance packages to buy companies which are significantly larger than those which have been involved in UK buyouts so far. It follows the pattern of U.S. equity finance "pools" which have indirectly enabled groups of institutions to mount offers for companies as large as Gulf Oil.

The size of deals in the UK has up to now been limited by the difficulty of putting finance together quickly enough, when a large number of investing institutions need to be involved.

Electra Candover plan intends to solve this problem by gaining the consent of subscribing institutions oo their behalf without delay.

Indications of institutional interest so far suggest that Electra Candover should bave little difficulty in raising more than £200m; Electra is itself putting up £10m, and Candover £2m, while Globe Investment Trust – the largest shareholder in each – will commit up to £20m.

Candover's Mr Roger Brooke said that the plan seemed attractive to a number of large UK institutions, notably pension funds, who wanted to make more unlisted investments but lacked expertise in assessing them.

The plan's investments are to be mainly management buyouts of UK companies, but other unquoted companies will be considered. Mr Michael Stoddart, of Electra, said that the scheme would probably make eight to 10 large investments altogether. "There could be many large UK subsidiaries of U.S. corporations thrown on the market by mergers," he said.

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CHALLENGE OVER DIGITAL EQUIPMENT PROCUREMENT POLICY

Telecom may face Axe purchase limit

BY GUY DE JONQUIERES

THE OFFICE of Telecommunications (Oftel) is expected to call on British Telecom (BT) this week to place a temporary limit on its orders for Axe digital public telephone exchanges made by Thorn-Ericsson, a joint subsidiary of Thorn EMI and Sweden's L. M. Ericsson.

Oftel, which has no powers to enforce its recommendations, is responding to concern in Parliament and the UK telecommunications industry that BT's purchases of Axe equipment could harm Britain's System X public exchange and its two manufacturers, Plessey and the General Electric Company.

BT has so far placed Axe orders worth an estimated £100m and has reserved the right to increase its purchases. It plans at present to take delivery of an initial 100,000 Axe exchange lines in the second half of next year and of a further 300,000 to 500,000 lines in 1987–88.

Oftel believes that BT's decision to buy Axe was commercially justified, but is considering proposing that BT should not exceed for the next three years the order levels announced so far unless System X is afflicted by severe supply problems.

Oftel, which is expected to publish its recommendations tomorrow, favours open competition between Axe and System X for orders after mid-1988. Plessey and GEC have so far received BT orders for 1.8m lines of System X, but were not invited to bid for the contracts awarded to Thorn-Ericsson.

BT has said that it aims to use Axe to meet up to 20 per cent of its digital public exchange needs. Its annual digital exchange orders total about 2m lines at present and are expected to rise to close to 3m lines from the middle of next year.

Oftel is also considering recommending special arrangements to strengthen Britain's position in digital exchange technology. It is studying three possible options, on which it will decide before issuing its report:

- Calling oo Thorn-Ericsson to transfer more Axe technology to the UK. Though the exchanges will be made in Britain, most of the design and development work has been carried out by L.M. Ericsson in Sweden.
- Requiring BT, which has already spent more than £300m to develop System X, to ensure that development work is undertaken on future generations of exchanges.
- Calling oo the Government to set up suitable development facilities in co-operation with UK telecommunications manufacturers.

BT may decide voluntarily to observe Oftel's recommendations, or these could be imposed by the Government. Oftel was asked to investigate BT's ordering policy by an all-party group of MPs whose constituencies include System X factories.

Goldcrest parts with its chief executive

BY RAYMOND SNODDY

THE DEPARTURE of Mr James Lee as chief executive of Goldcrest Films and Television at the weekend increases the uncertainty facing the company which is seen as the flagship of the British independent film industry.

Goldcrest has been involved in the financing of the Oscar winning films Gandhi, Chariots of Fire and The Killing Fields, yet so far has produced earnings well below its target for capital employed. Last month the company announced its first annual profits – a pre-tax profit of £1.6m on turnover of £14m and average capital employed of £23.1m.

Mr Michael Stoddart, chairman of the private company in which Pearson, publisher of the Financial Times has a 41.2 per cent stake, warned that Goldcrest was likely to slip back into loss this year.

The immediate reason for the departure of Mr Lee, a former McKenzie consultant and chief executive of Pearsoo Longman who helped to found Goldcrest with Mr Jake Eberts in 1980, was a difference of opinion over a company reorganisation.

The issue arose after the decision of Mr Sandy Lieberson, the Goldcrest head of production, to return to being an independent producer from next January.

Goldcrest said in a statement: "It is the unanimous option (sic) of the board, with the exception of Mr James Lee, chief executive, that a new head of production be appointed with very considerable delegated responsibilities."

Chinese approve British proposal to rebuild coal mine

BY MAURICE SAMUELSON

THE CHINESE Government has approved initial proposals by engineers of Britain's National Coal Board for a large new coal mining scheme, which could reap big orders for UK-made mining equipment.

The plan, to rebuild and extend the Tangshan mine in Hebei province, northeast of Beijing, could involve equipment orders estimated at £80m, which British suppliers appear well placed to secure.

Under the initial feasibility study by NCB consultants, the mine would be expanded to raise its output from 3.5m tonnes a year to 5m tonnes a year.

It is part of the Kailuan mining complex, whose overall output China wants to increase from 20m to 35m tonnes a year. This is part of the national programme for boosting total coal output from about 700m tonnes a year to 1.2bn tonnes a year by the end of the century.

The NCB study allows for the construction of three shafts, the driving of roadways into new coal reserves, and coal preparation and handling facilities.

When the Chinese invited the NCB to conduct the pre-feasibility plan last summer, it was also anticipated that the board might also advise on other work in the Kailuan complex.

The board is now awaiting Chinese approval for the full feasibility study showing how the Tangshan mine should be equipped and operated. Rough estimates put the cost of equipping it at around £80m, much of which would be imported or manufactured in China by joint-venture companies.

Already regarded as a potential breakthrough by UK equipment suppliers, it would be the biggest Chinese coal project in which Britain bas been significantly involved.

Even without a firm decision on Tangshan, the UK mining equipment industry is this year reporting bigger earnings from China.

After three years of faltering orders, the Association of British Mining Equipment Manufacturers says orders from China in 1985 and 1986 may reach £80m. This compares with less than £30m worth of orders last year and marks a return towards the record £122m worth of orders in 1979 and 1980.

Parliament set for pay rise rebellion

By John Hunt

THE GOVERNMENT faces a rebellion by some Conservative MPs in the House of Commons tomorrow over its decision to award salary increases of up to 48 per cent to top civil servants, judges and senior officers of the armed forces.

Up to 20 Tory backbenchers will show their anger at the Government's handling of the affair by refusing to vote for an increase in the salary of Lord Hailsham, the Lord Chancellor, from £66,250 to £77,000.

In fact, Lord Hailsham draws only £39,980 of his current salary and has said that he will not take the latest increase.

However, the rebels will use this as an opportunity to demonstrate their dissatisfaction at what they believe to be the insensitive way the Government has made the large awards to "top people."

They are astonished that it has come at a time when the Government is seeking to hold down public sector pay and are particularly concerned at the effect it may have on the teachers' dispute.

Government whips are finding it difficult to assess the size of the rebellion, as it seems to spread across the party spectrum, including right-wingers.

The Government has ensured that the motion will be debated after 10pm and this should limit the trouble.

One or two Tories could vote against the Order, but abstentions are more likely. A larger number of Tories are expected to be discreetly absent as a sign of their disenchantment.

Some backbenchers believe that Mrs Margaret Thatcher, Prime Minister, should move the Order and reply to the criticism. It now seems likely that the uneviable task will fall to Mr John Biffen, Leader of the House.

Bank studies legal position on staff losses

BARCLAYS BANK is examining the possibility of taking legal action against a group of dealers who are leaving Wedd Durlacher Mordaunt, the stockjobber which is in the process of merging with Barclays, to join a rival firm, Martin Dickson writes.

Eight of Wedd's dealers said earlier this month that they were leaving the firm to join the securities operation being set up by Kleinwort Benson, the merchant bank.

The move is one of the biggest staff losses from a major firm since the start of the financial services revolution in London two years ago and comes on top of a wave of individual departures from Wedd over the past few months.

Barclays said yesterday that it was consulting its lawyers about the possibility of legal action, but it declined to comment on what grounds there might be to pursue a case.

The bank is thought to be keen to draw a line establishing some limits to the movement of individuals between firms amid the upheaval of the City revolution.

The eight leaving Wedd Durlacher include two senior partners – Mr Charles Hue Williams and Mr William Mellen – three other partners, and three staff members. Barclays declined yesterday to comment on their conditions of employment.

□ COMPLETION of another section of a 122-mile motorway around London is set for next month, leaving only 27.9 miles to complete by the end of next year. The £909m project, called the M25, is expected to relieve congestion in some areas, but may increase problems at the Dartford Tunnel, which carries traffic under the Thames east of London.

□ SLIMMA, a major supplier of men's and women's clothes to Marks & Spencer, plans to develop a chain called Second City, which will sell clothes rejected by Marks. Slimma is launching the venture in conjunction with British Shoe Corporation, the country's largest footwear retailer. The two plan to open stores on common sites.

□ IRON foundry industry in Britain lost 56.4 per cent of its workforce between 1973 and 1983 when more than half of the country's foundries were closed. Total production fell from 3.445m tonnes to 1.449m tonnes during the period, according to a survey by the Government Business Statistics Office.

Company Notices

Contracts and Tenders

UK NEWS

ANGLO-FRENCH DEAL IS ON TIME AND ON BUDGET

Power line to high politics

BY IAN HARGREAVES

IN A FEW days time, tides permitting, two 1,700 tonne cables will be landed at Sangatte on the French side of the English Channel. Four months later, in November, the first power should start to flow across the £600m Anglo-French electricity link.

In engineering terms, laying the 2,000 MW link has been a considerable success: It is more or less on time and on budget.

However, behind the scenes, the all-important commercial terms which will govern trade across the link have not been constructed nearly so smoothly. Ever since it became obvious that France could deliver electricity cheaper than any existing or imaginable British power station, the link has become a matter of high politics.

Disentangling those politics is not easy, but based on interviews on both sides of the Channel, two points are clear:

- Britain turned down the chance of a much cheaper supply of electricity through the link over a longer contract period than was eventually agreed. The cost of this decision is measured in tens of millions of pounds a year.
- The link and the possibility of future links has divided both the electricity industry and the Government. It sets those whose priority is cheap power (to enable electricity to compete most effectively with gas) against those who feel strongly that Britain's priority should be a strong domestic power industry.

Negotiations on the commercial arrangements for the link began in late 1983, two years after the signing of a protocol between the British and French governments. France, still mindful of Britain's decision to cancel the Channel Tunnel in 1975, insisted upon a penalty clause for any government veto of the link.

The 2,000 Mw link was to open in two stages, 1,000 Mw this autumn and a further 1,000 Mw a year later.

When it was originally conceived in the 1970s, the link was seen in Britain as a way to sell coal-fired power to France – "selling coal by wire" as it was promoted at the time.

By 1983 it was evident the link would involve one-way traffic from France to Britain. Although both Electricité de France and the Central Electricity Generating Board have surplus capacity, Britain's consists of high-cost oil and older coal-fired stations, whereas France's is based upon the most sophisticated nuclear-powered grid in the world.

EdF was keen to sign up new export customers and started talking very aggressive figures, designed to secure the long-term business of its newest customer. According to those involved in the negotiations, figures as low as 1p per kilowatt hour were mentioned in the early stages of talks.

The French were also keen to secure a long-term contract of at least five years, although options for up to 15 years were discussed.

By this time, however, the offer was too good for the British.

Mr Peter Walker the Energy Secretary, was about to become embroiled in a coal strike and could see that British power station workers would either win the strike for him or lose it. They might see cheap French power as a threat. Mr Walker dragged his feet, but carefully stopped sort of anything resembling an expensive veto.

During the coal strike, negotiations continued. Eventually, in the winter of 1984-85, EdF started talking much higher prices – pressed by a French Government increasingly anxious about the advantage EdF was helping to confer upon France's industrial competitors. It was also a good negotiating tactic to tell the British that the price was getting higher the longer they delayed.

By January 1985, the two sides negotiators were again drawing close to agreement and Sir Walter Marshall, chairman of the CEGB, told his negotiators to sign. Letters were exchanged between the two sides for the UK purchase of French electricity from phase one of the link for two years.

The average price agreed was 2p per kilowatt hour, which is worth about £160m a year to France. So the cost to Britain of not tying up the earlier, cheaper deals could have been anything up to £80m a year.

The deal was deemed so sensitive that board officials were instructed to rebuff questions on the link by saying it would involve a two-way exchange of electricity as originally conceived.

Eventually, once the coal strike was over, the power unions were fully briefed. They were assured that 1,000 Mw of French electricity would not result in any UK power stations being closed.

Stage one of the link, however, has opened up much wider issues. Because it will be followed by stage two and could easily be followed by an additional link, it raises questions about the much more expensive option of building UK stations, such as the proposed £1.2bn, 1155 Mw Sizewell B nuclear reactor. Output from Sizewell, according to the CEGB's own estimates, will cost 2.94p per kwh – compared with 1p to 2p for EdF's electricity.

Mrs Margaret Thatcher, the Prime Minister, has become personally involved in the matter and is a strong advocate of the link. Sir Walter, in most circumstances a close ally of Mrs Thatcher, has taken public opportunities to warn of the danger of too heavy a reliance on French power – he senses the risk to his pet Sizewell project.

The British miners, whose sensitivities were considered so important during the strike, are likely to lose out anyway, since neither the Government nor the CEGB wants near-term investment in coal-fired stations. Last week, the only serious chance of a pro-coal CEGB investment – conversion of the oil-fired Isle of Grain Station in Kent to coal – was abandoned.

As one EdF man put it, "Mrs Thatcher will have to choose between the French atom and the British coal miner." Actually, the choice is between French power and British power. According to figures from Unipede, the international club of power utilities, Sizewell B will cost more than twice as much to build per kilowatt as an equivalent French plant.

Guernsey considers Channel power link

GUERNSEY is considering an undersea cable link with France to hold down the cost of its electricity, at present produced by diesel generators using heavy fuel oil, Edward Owen writes.

The electricity board is to ask the island parliament on July 31 to let it spend up to £100,000 on a survey of the proposed cable route, which would come ashore at Anse de Scitot on the Normandy coast and connect the island with a 90 kV sub-station at Tolmar.

The board says that with no prospect of stability in the cost of heavy fuel oil and changes in Electricitée de France's commercial tariff, a cable link to enable the island to tap the European grid appears viable, even though capital cost at current prices would be about £20m.

Like Jersey, which has already established a cable link with France, Guernsey would use French power in the summer months when EdF's tariff is low and generate its own electricity in the winter.

The £100,000 vote for the initial survey is to be opposed by a small group of local MPs who believe the proposed link would weaken the island's position in the event of any pollution threat from French nuclear developments on the nearby Cotentin Peninsular.

Anticipating this objection, Guernsey's electricity board said the European grid was powered by a variety of sources – oil, coal, hydroelectric, tidal and nuclear – and says that whether or not the island takes energy from the grid will make no difference at all to France's nuclear power policy.

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UK NEWS

CBI/FT DISTRIBUTION INDUSTRY SURVEY

Trade volume increasing, say retailers

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

RETAIL TRADERS are expecting business to continue briskly through this month, according to the latest survey of the distribution industry by the Confederation of British Industry (CBI) with the FT.

It showed that retail sales this month are expected to continue to be significantly higher than last year's level, although sales in June were lower than had been expected.

Of the 345 respondents in the retailing industry, 65 per cent reported that their sales volume was higher in June than last year's level, with 15 per cent reporting e decline. The percentage balance (the proportion reporting a rise minus the proportion reporting a fall) was 50 per cent compared with 56 per cent in May and 60 per cent a year ago.

Volume of orders placed on suppliers was also higher than last year's level, with a 23 per cent balance reporting a rise. That was significantly less than the figures reported over the last year, which have generally been between 30 per cent and 40 per cent.

As a result of the poorer than expected sales in June, retailers reported that their ratios of stocks to sales were higher than they had been expecting. A balance of 19 per cent said stocks were too high, although a balance of only 10 per cent had expected them to be too high.

Mr John Salisse, chairman of the CBI's Distributive Trades Survey Panel, said that clothing stores had experienced good sales this month with large multiple stores and mail-order companies leading the way.

He said: "Fine weather has tempted customers out, and they have been undeterred by high interest rates, which, for many, will have increased mortgage repayments, and reduced the cash they have for spending."

Most sectors have been doing well recently except the confectionary, tobacco and newspaper shops. Those have continued to suffer increased competition from supermarkets and from the decline in cigarette sales.

Wholesalers reported that business in June was not quite as good as they had been expecting, but still well ahead of last year's level. A balance of 45 per cent reported an improvement compared with last year. That was not as good as the balances of around 60 per cent for April and May, but still well ahead of the responses in the 10 months up to March.

Wholesalers are expecting the improvement to continue this month, with a balance of 37 per cent expecting orders placed on suppliers to be higher than at the same time last year.

In June, e balance of 32 per cent reported that they had increased orders. That was less than the number that had been expecting an increase, and less than in April and May, but still much better than the figures for earlier months.

Significantly, fewer wholesalers reported that their stock levels were too high in relation to sales. The balance of 13 per cent reported excessive stocks in June compared with 27 per cent in May, but it was not far out of line with the figures for earlier months this year.

Trade by the motor industry in June was about the same as the level the previous year.

Call to recover privatised assets

By Our Political Editor

THE LABOUR Party conference this autumn will be widely urged to return all privatised companies to public ownership. Several of the 26 motions on the subject call for new forms of social ownership rather than the old-style of centralised nationalisation.

Public ownership comes third in degree of interest behind the welfare state (47 motions, the largest number ever submitted on a single topic) and the miners (30 motions) in the conference resolutions published today.

Most of the public ownership motions call for the renationalisation of all privatised assets. Only one says that should be without compensation, others refer to compensation either being on the basis of proven need or at least excluding speculative gains.

A common theme is a rejection of "old-style" or "bureaucratic" nationalisation. Instead, there are calls for new forms of social ownership more accountable to workers, trade unions, and consumers.

For example the National Communications Union (engineering group) argues that "renationalisation must be used to create more imaginative and responsive public enterprises by using different forms of organisation based on common interest of employees, consumers and supporting industries."

The conference will be dominated by the presentation of the leadership's proposals on economic and industrial policy, including the joint statement with the Trades Union Congress, which will be published in two weeks' time.

The degree of interest in the welfare state reinforces the leadership's belief that this is an area in which the Government is vulnerable.

Japanese securities firms face possible bar in London

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE DISPUTE between the UK and Japan over securities licences could jeopardise the chances of Japanese securities houses being able to continue their London operations when new financial services legislation comes into operation at the beginning of 1987.

The UK authorities are pointing out that there will be reciprocity requirements when licences are considered for foreign financial institutions under the new regulatory arrangements for the City of London revolution.

Unless UK institutions are granted securities licences to operate in the Tokyo markets, the Japanese houses could be barred from the London markets.

"The Japanese will need licences to conduct the business they are doing without a licence now," says a UK official involved in preparing the new regulatory regime.

This threat of further escalation in the dispute follows the refusal of the Japanese Ministry of Finance to expedite the issue of a securities licence to Kleinwort Benson, the merchant bank. The Japanese action is designed to put pressure on the Bank of England to grant banking licences to its four leading securities houses, Nomura, Daiwa Nikko and Yamaichi. The Bank has refused to do so on the grounds that they are not banks.

Under the new arrangements, institutions wishing to deal in the UK markets will need a licence issued by the Securities and Investments Board (SIB) or one of the self-regulatory bodies recognised by it. These will have powers delegated to them by the Secretary of State for Trade and Industry.

Although the rules have not been finalised, eligibility for a licence will be based on a number of factors including, in the case of a foreign applicant, the ease of access for UK institutions to the applicant's home markets.

The regulatory bodies would form their own judgments about the suitability of an applicant according to objective criteria, and without interference from the UK authorities. However, the refusal of a licence for just one of the Japanese houses would cause a major row which Tokyo is certain to wish to avoid.

Without authorisation, a securities house would have to cease operations in the UK and the beginning of 1987.

NOTICE OF SECOND PARTIAL REDEMPTION

THE KINGDOM OF DENMARK

Issue of US$ 250,000,000 12¾% Notes due February 27, 1992 with 250,000 Warrants to subscribe 12½% Notes due February 27, 1992

Pursuant to paragraph "Redemption and Purchase" of the Terms and Conditions of the Notes, notice is hereby given that as a result of the exercise of Warrants, Notes for an additional aggregate principal amount of US$ 23,000,000 will be redeemable on August 22, 1985 at 101 per cent. of their principal amount, together with accrued interest (i.e. US$ 309.90 per denomination of US$ 5,000) from February 27, 1985 to the date of redemption.

The Notes bearing the following serial numbers have been drawn by lot in the presence of a Notary Public and may be presented to Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg or to the other Paying Agents named on the Notes:

[illegible]

Notes surrendered for redemption must have coupon due February 27, 1986 and subsequent attached.

Interest will cease to accrue on the above drawn Notes as from August 22, 1985.

Amount remaining outstanding: US$ 164,000,000

Luxembourg, July 22, 1985

THE FISCAL AGENT
KREDIETBANK
S.A. Luxembourgeoise

NOTICE OF FIRST PARTIAL REDEMPTION

THE KINGDOM OF DENMARK

Issue of US$ 100,000,000 13% Notes due 1992 with 100,000 Warrants to subscribe 12¾% Notes due 1992

Pursuant to paragraph "Redemption and Purchase" of the Terms and Conditions of the Notes, nouca is hereby given that as a result of the exercise of Warrants, Notes for the aggregate principal amount of US$ 9,000,000 will be redeemable on August 22, 1985 at 101 per cent. of their principal amount, together with accrued interest (i.e. US$ 364.72 per danomination of US$ 5,000) from January 31, 1985 to the date of redemption.

The Notes bearing the following serial numbers have been drawn by lot in the presence of a Notary Public and may be presented to Krediatbank S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg or to the other Paying Agents named on the Notes:

[illegible]

Notes surrendered for redemption must have coupon due January 31, 1986 and subsequent attached.

Interest will cease to accrue on the above drawn Notes as from August 22, 1985.

Amount remaining outstanding: US$ 91,000,000

Luxembourg, July 22, 1985

THE FISCAL AGENT
KREDIETBANK
S.A. Luxembourgeoise

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Cambridge Instruments

A high-tech phoenix

Stefan Wagstyl on the turnround of a persistent loss-maker

DR TERRY GOODING is this week a disappointed man, following the postponement of plans to float Cambridge Instrument.

The issue would have crowned the recovery of one of the UK's most troubled high technology groups. As it is, the company will now wait until at least the beginning of next year before renewing its plans.

But Gooding, a nuclear scientist turned venture capitalist, will be quick to put the setback behind him. He says the delay is not the fault of the company but of the stock market, where shares in high technology groups have plunged in recent weeks. CIC, he says, has enough capital and enough borrowing capacity to carry on its business as planned.

At the hands of Gooding the scientific equipment company is making money in the 1980s after surviving the 1970s only with the financial support of its biggest shareholder — the Government-backed National Enterprise Board.

When Gooding bought control of CIC from the NEB in 1979, he found a company on the verge of bankruptcy. The NEB saw him as the last chance of saving a group losing £3m a year. That chance has resulted in a turnround to profits for the year to the end of March 1985 of £4.2m pre-tax on sales of £52m, with another increase expected this year.

But how is it that Gooding has succeeded where so many others failed—despite Government backing? And what are the prospects for the company now that its recovery appears complete? In particular, how can CIC, relying on exports for threequarters of its turnover, compete with U.S. and Japanese rivals with much larger home markets for high technology?

British industrialists and civil servants alike give much of the credit for saving CIC to Gooding himself. A 51-year-old Welsh-born U.S. citizen with a PhD in nuclear physics, he came to Cambridge with a strong record in research and in high technology management. He had worked at the Atomic Energy Research Laboratories at Harwell and at the University of California at Berkeley before becoming a research manager for General Dynamics. He had founded and later sold a high technology company of his own—Maxwell Laboratories — and turned around Kratos, a quoted loss-making U.S. instrument group.

Moreover, even before buying CIC Gooding had already made his mark in the UK. In 1976 Kratos had bought and revived AEI Scientific Apparatus, a troubled GEC subsidiary. One senior British manager who has known Gooding since that time says: "He's a very rare animal. He's a first-class scientist turned businessman. And he's got charisma—he's able to get good people around him."

In CIC, Gooding found a company which had enjoyed a reputation for technical excellence ever since it was set up by a son of the biologist Charles Darwin at the end of the 19th century. Constant exchanges of people and ideas with the laboratories of nearby Cambridge University had kept the company at the forefront of technology.

Pioneer

Since the 1950s it had been a pioneer of electron microscopes —many times more powerful than optical microscopes—developing them first for academic and medical research and later for use in commercial and industrial laboratories. More recently, the company had adapted this equipment into a range of production tools for the semiconductor industry — making machines which manufacture and test microchips.

It was for the sake of this technology—in which the UK would otherwise be poorly represented—that successive governments tried to nurture the company—as they also supported chip maker Inmos and computer group ICL.

Three government - backed attempts to reshape the company failed. First in 1968, the Industrial Reorganisation Corporation used public funds to back a takeover by the George Kent instrument group at the expense of rival bidder Rank Organisation. Then in 1975, following the takeover of Kent by the Swiss group Brown Boveri, the National Enterprise Board bought the former Cambridge company, now called Scientific and Medical Instruments, out of Kent and merged it with Metals Research. It restored the name Cambridge Instrument Company to the combined group.

Subsequently, the company's chronic shortage of cash forced the NEB to inject new capital raising its stake to 93 per cent. But the losses continued to mount until Gooding arrived.

He was backed by Midland Bank and ICFC and by a fresh injection of NEB funds—£6.5m on top of the £9m previously absorbed by the company.

He moved quickly, bringing in senior management from Kratos and taking the troubled group into profit within 18 months.

Gooding makes no bones about what had been wrong with CIC. The company had good scientists and engineers, he says, but weak financial and commercial management.

"I brought in experienced management. We knew how to manage a business. That wasn't the NEB's strength."

CIC's management in the 1970s had identified the underpricing of electron microscopes, by up to 50 per cent, as the root cause of the company's problems, but had been unable to close the gap between costs and revenues.

Gooding first tackled costs—working out exactly how much each stage of the lengthy production process cost. He reorganised production at Cambridge, closing one factory to concentrate work in a second. Stocks, work-in-progress and cash balances were all brought under tight control. Because the previous management had invested heavily in new products, particularly the range of equipment for semiconductor manufacture, Gooding was able to rein in research and development spending.

Equally importantly, the group's international marketing efforts were expanded by taking on more skilled salesmen and improving their training. Against a background of economic recovery and, after 1982, a weakening pound, CIC was able to raise prices, dramatically improving margins. As Dr Bill Henderson, managing director, says, CIC was for the first time exploiting its position as market leader in electron microscopes and rivals generally followed suit with price increases of their own.

Gooding says more effort was put into increasing sales in the U.S. and Japan, which are much bigger markets for CIC than Europe.

Having got a grip on the company's main businesses in scientific instruments and semiconductor equipment, Gooding turned to its other activities. A U.S. operation making industrial controls was supplemented by the acquisition of two UK companies.

CIC's medical equipment business, which once pioneered the electrocardiograph, was also first expanded by acquisition, with the purchase for shares of two companies from the U.S. group Warner Lambert. Then, in 1981, the enlarged business was sold to CEC which merged it with Picker International, its U.S. medical instruments subsidiary. CIC took a stake in Picker which now stands at 7½ per cent.

Gooding says that the group sold out of medical equipment because its market share was too small. By 1983, CIC was ready to diversify. It added a trading arm—dealing in scientific instruments on behalf of other manufacturers to make better use of its sales force. It expanded these activities in Japan by buying Andrews and George, a trading company. Trading is seen as a hedge against the high costs of R & D and manufacture of its own products.

Despite the changes of the past five years, the heart of the group is still the manufacture of scientific instruments and semiconductor equipment.

In scientific instruments, Gooding believes that the company can increase its 20 per cent share of the world market in electron microscopes and image analysis equipment, by building on its presence in Western Europe and the U.S. and increasing its negligible sales to Japan. The market itself is expected to grow as the use of microscopes in industry increases, notably in pharmaceuticals, food and metallurgy.

But the thrust of the group's technological and marketing effort is in expanding sales of semiconductor equipment.

It is a world market leader in electron beam microfabricators—which etch circuits on to microchips — and in crystal pullers—machines for making gallium arsenide, a new micro chip material which could replace silicon in certain applications.

Gooding says that CIC more than holds its own against fragmented competition, chiefly U.S. and Japanese companies. Moreover, it is to some extent protected from the threat of new rivals because of the high cost of mastering the range of technologies involved — from electronics to precision engineering.

The company has plans to set up test and assembly plants in the U.S., and in Japan. But it has no intention of switching manufacturing away from Cambridge, where the bulk of the group's 1,300 staff work. Gooding says that the UK is the cheapest place to employ people with a such a mix of advanced skills.

Dr Terry Gooding (left) and Dr William Henderson

West German industry

Burdens of bureaucracy

A MARKETING manager who works for one of West Germany's large chemical companies is responsible for annual revenues of more than DM 150m (£37.5m). Yet he has authority to spend only DM 1,000 (£250). For anything above that limit, he has to seek approval from his superiors.

Professor Hermann Simon cites this remarkable case of bureaucracy to explain why many German companies are having difficulty in becoming more flexible and more responsive to the marketplace, and in encouraging their executives to take risks in order to compete with more sprightly American and Japanese companies.

"Risk-avoidance is a pretty serious problem," says Simon. "I'm continually struck by how cautious people are, especially in middle management. Decisions are always getting postponed, and pushed up to a higher level."

As head of West Germany's leading executive education centre, Universitätsseminar der Wirtschaft (USW), and senior partner of a management consultancy, Simon has plenty of experience of the realities of life inside German companies. He is discreet about naming names, but pulls no punches in his criticisms.

"The main problem for most middle managers is not one of strategy, or of inadequate marketing, but of convincing their superiors to take action," he claims. He cites one company where an informal group of youngish senior executives regularly meets in secret session with a sympathetic member of the Vorstand (executive board) to thrash out quick decisions, and to decide how to try to push them through the board.

In several other companies, says Simon, second and third-level managers have coped with the problem differently: either by making and implementing decisions without reference to the board, or by taking no notice of the board's rulings.

Simon quotes two such examples. In a company in the motor industry the board's rigid diktat about the balance to be struck between output of two prime products has been ignored (middle management has simply adjusted output in response to changing market conditions). And in a medium-sized chemical company dissenting middle managers have taken no notice of the board's decision to make a series of far-reaching changes in the structure of the sales organisation.

This sort of "guerrilla warfare," as Simon calls it, is by no means uncommon, he claims—many companies are "out of control." For some, this is a definite advantage, he argues—they are responding to changing market circumstances in spite of top management sclerosis. But for others, "it's a disaster."

As a glaring example, Simon cites the reluctance —or organisational inability—of most German consumer product companies to respond to the

"All things considered, by and large, given our situation—what would you do"

devastating challenge posed by suppliers of generics ("no-names"). With the exception of Reemtsma, the cigarette company which has virtually destroyedthe threat of generics through swingeing price-cuts and heavy promotional spending, most German consumer goods makers "are more or less trying to continue doing business the old way," he complains.

Although generics have captured between a quarter and a half of many consumer product markets in Germany, several leading branded goods makers "are simply refusing to accept that new arrivals have established a strong competitive advantage."

Behind the inflexibility of many German companies "lies a huge generation gap," Simon argues—not so much of age, but of experience. Most of Germany's top managers are in their 50s and 60s, and gained their formative experience in the growth decades of the 1950s and 1960s. According to Simon they feel that "you can fix problems simply by working hard." They tend to take decisions "on the basis of rules of thumb." And they make the mistake of extrapolating past success into the future.

On the other hand, the formative years for middle managers in their 40s and 50s were the slow growth 1970s, when the managerial emphasis shifted to analysis, fine tuning, and risk avoidance.

The inevitable result of this contrast in cultures, says Simon, is conflict and inertia. Top managers respond to a crisis in the marketplace by applying old rules of thumb, while middle management falls back on analysis.

A further element in the generation gap, the USW chief maintains, is between those with and without international experience. Most younger managers, including many 40-year-olds, have spent many years abroad. As a result, says Simon, they are more open to the need for change, and to the methods of managing it.

Ten years from now there may be a different sort of generation gap, he warns: between those who have grown up amid the electronics revolution, and those who have not. But in the meantime he remains concerned about rigid boardroom attitudes in many German companies, and their inability to respond even to a manifest competitive crisis.

On the positive side, he panies are not as inflexible as panies are not as flexible as they appear, especially where decisions can be taken and implemented at relatively low levels of management. And though entrepreneurship in large German companies is less well developed than in America, he anticipates a shift towards the U.S. pattern.

His own research data suggests that, as in the U.S., German students are becoming reluctant to join large organisations. "So companies which want to attract entrepreneurial people may have to set up venture-type organisations." As a model of decentralisation, flexibility and managerial motivation he points to the Bertelsmann publishing empire, where individual responsibility (and performance incentives) are pushed down to an extremely low level.

Christopher Lorenz

TECHNOLOGY

EDITED BY ALAN CANE

First fruit from IBM's Stratus deal

THE FIRST fruits of IBM's recent agreement with Stratus Computer of the U.S. are now available in the UK in the form of two models of fault-tolerant computer, the System/88 Model 40 and Model 60. The machines, reckoned never to stop working through the failure of any single component, have been available in the U.S. for some time.

Fault tolerance is one of the most important areas in computer design at present as senior managers become aware of just how vunerable their businesses are to computer failure and breakdown.

The leading company in fault-tolerant computers is Tandem of the U.S., whose Non-Stop and TXP systems have set the standard for the past seven years and whose machines are still regarded as the most reliable systems available, because of the wealth of specialised software written to run on them.

The Tandem approach is software-based, developed at a time when hardware was expensive and software was still relatively cheap.

Stratus, on the other hand, started from scratch with cheap microprocessors and exploited the versatility of the hardware to achieve similar reliability.

Each Stratus processor consists of two pairs of matched Motorola 68000 microprocessor chips. Each microprocessor carries out the same calculation independently and only if three processors agree on an answer is the value regarded as accurate.

IBM, until its deal with Stratus, had been very slow to capitalise on the fault-tolerant market, preferring to offer configurations of two or more machines with one acting as "hot back-up."

The new System/88 machines run more than one program at the same time and can be used by a number of operators, all carrying out different tasks.

It supports remote job entry, networking, transaction processing, forms management and interfaces to other computer systems.

Program developers can use System/88 ANSI standard Basic, Cobol, Fortram, PL/1 and Pascal languages.

How IBM contributes to the advancement of science

(and science to the advancement of IBM)

IBM has 16 centres worldwide dedicated to general research. David Fishlock looks at one in Winchester

IN A laboratory in Winchester a crimson sac the size of a human heart is pulsating as if it were a living but disembodied organ. The sac is a three-dimensional representation of a real heart in action, painted by a computer whose artwork has been supervised by a London heart surgeon.

It is one of a series of vivid 3-D "solid models" IBM scientists are designing as part of a basic research programme in collaboration with academics. In adjoining laboratories other scientists are unscrambling the spoken English word and trying to understand what a robot needs to "see" in the factory of the future.

The scientific theme of the laboratory is greater harmony between man and his computer. The main purpose is harmony between IBM and academics. It is one of 16 scientific centres worldwide which provide links with universities and facilitate transfer of new techology and skills to the company.

These centres are really academic establishments of 50 to 100 people. Winchester has 60, of which 30 are IBM scientists. Their work is non-proprietary and freely published, says Dr Ian Brackenbury, its manager. For an outlay of £2m to £3m a year, it publishes about 40 scientific papers.

Dr Brackenbury's targets are never products but new understanding of some major scientific question relevant to IBM UK. Once these scientific centres aimed to sell computers to scientists. Today they help academics solve their problems in partnership, developing what he calls "tools to deal with complexity."

The company itself is eager for international recognition as a contributor to the advance of science and not just as an instrument supplier.

The Winchester scientific centre is funded almost entirely by IBM. The exception is an Alvey project which it shares with eight partners—four universities, three British companies, and the Science and Engineering Research Council. It was brought in at the request of CEC, whose robotics researchers were discussing the problem with IBM scientists engaged in vision analysis.

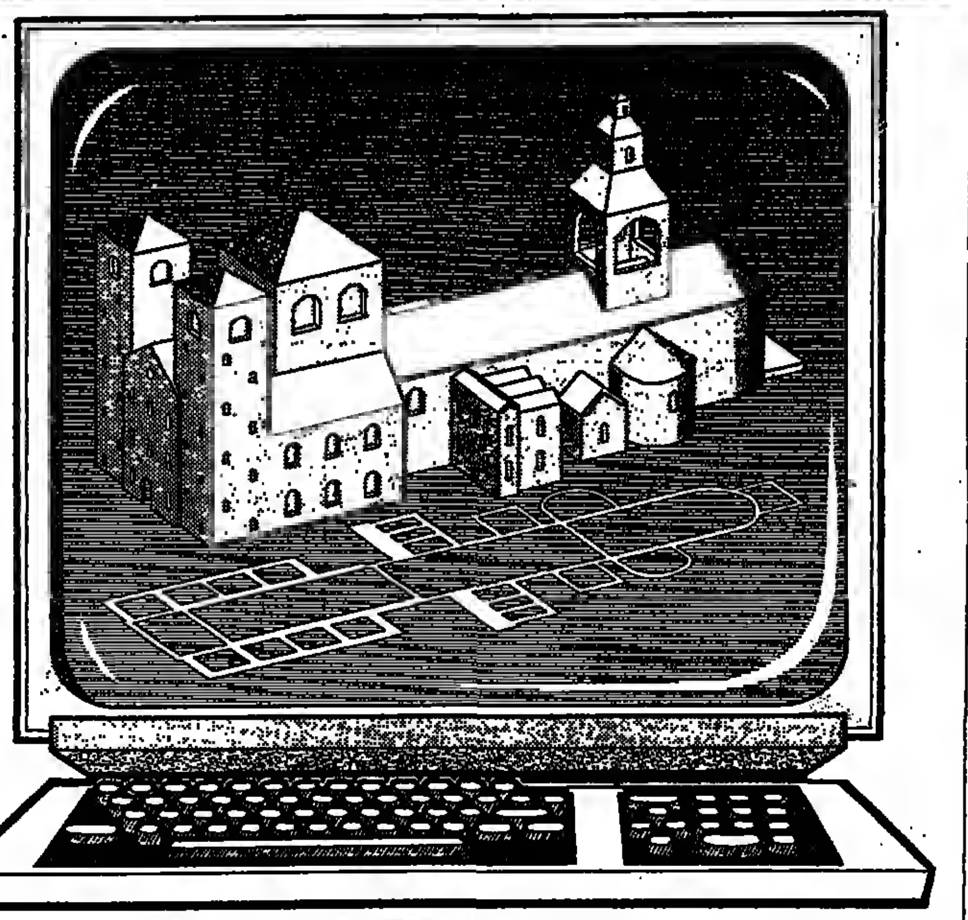
The £2.4m project aims to provide "visual competence" for assembly and transport robots in the factory of the future.

IBM's expertise lies in a computer model called Winsom which extracts the salient surfaces from the part to be processed. Its strength lies in the richness of the description this model can compile, says Dr John Frisby, a psychologist specialising in vision with Sheffield University, who works closely with the scientific centre.

For Dr Frisby, the "breaking down of cultural barriers between industry and academics" is the important thing about Alvey. One of the big surprises, he says, is the degree of visual competence needed for robots to deal with contingencies such as flawed and misorientated parts.

The centre is collaborating with a score of academic institutions and hospitals round Britain. One collaboration, with the Brompton Hospital in London, has opened up wide interest in computer imaging and imaging systems research, leading to ten different projects. The first one was the digitalising of chest X-rays in an effort to extract more information for the radiologist from the standard X-ray, where they now claim some success.

"There was no way we could do this without the radiologists to give advice," says Dr John Hake, who runs image systems research. For example, IBM recruited 18 radiologists to help determine what resolution would be most useful in an enhanced X-ray picture.



A computer's view of how Winchester's Saxon cathedral might have looked

As a result, the technique can turn a wispy shadow, which at present would mean more X-rays having to be taken, into a sharp feature which can be analysed. It will also normalise the differences in orientation, exposure, etc between X-rays taken at intervals, allowing the radiologist to assess more accurately the progress of his patient. An experimental system is soon to be installed.

Another promising collaboration has led to the vivid computer graphics of the heart and circulatory system. The computer creates 3-D colour images which move, and have texture and shading giving them photographic quality. The collaborators are still determining the value to the doctor of such angiograms which are sketched using X-ray data drawn from the patient.

The extent to which shading can bring a computer image to life can be seen from the picture of the old Saxon minster at Winchester. The image is the computer's interpretation of how archaeologists believe it looked about AD 980, in a picture generated by constructive solid geometry, with data from Winchester Archaeological Trust.

GEC pump takes the head off a pint of beer

THE DAYS of frothy beer may be numbered as a result of an innovation in pumping technology, according to marketing managers at GEC Small Machines of Newcastle-under-Lyme.

The company has introduced a motor for pumps that gives pub landlords greater control over the speed that beer travels from barrels to dispensers in the bar.

As a result, according to Mr Philip Ward, chief development engineering of GEC Small Machines' Fractional Horsepower Motor Division, the amount of froth in the beer (caused by pumping at excessive speeds) can be minimised relatively easily.

A bonus for pubs, says the company, is that the new pumping motors, although more expensive than conventional devices, should suffer fewer faults and so cut pubs' running costs.

GEC Small Machines has taken advantage of lower costs in inverters, devices that change the frequency of an electricity supply with electronic circuits. While inverters are far from new, their costs and size have only in recent years become small enough to permit their incorporation in relatively cheap motors for mundane applications that run on a few hundred watts or less.

The Newcastle-under-Lyme company hopes to sell 20,000 of its new Masterflow motors annually. That would account for roughly a quarter of the beer-pumping motors sold to British pubs each year.

Most of these devices use mechanical components called commutators to change the phase of the alternating current supplied to the stationary part (stator) of the motor, so producing a smooth rotation.

The main problem with commutator motors is that the brushes on the commutators wear out periodically. The motors generally need maintenance at least twice a year, according to GEC Small Machines.

The company has turned instead to induction motors to power beer pumps. In induction motors, mains electricity is channelled to a series of coils on the stator to ensure that the device runs in synchronisation with changes in the supply voltage. The motors do not require commutators so cost less to maintain.

Unfortunately for makers of beer pumps, induction motors that run directly off the relatively low frequency of the mains electricity supply cannot reach the speeds required for efficient pumping.

While most British beer pumps are called upon to operate at 7,000 revs/min, an induction motor powered by the standard electricity supply at 50 Hz can turn at only about half this speed.

Hence pubs have had to use commutator motors. A leader in supplying such motors is Fracmo of Hastings, Sussex.

To increase the speed of its induction motors GEC Small Machines uses an inverter to increase the frequency to 117 Hz, enabling the motor to reach high speeds without difficulty.

A further advantage is that, by changing the inverter controls, the speed of the motor can be varied between 6,000 and 7,000 revs/min. As a result, a technician should be able to adjust the pumping rate to take account of different types of beer and so reduce froth.

Lager, for example, has to be pumped at a slower rate than bitter. With conventional fixed-speed beer pumps, a pub can vary the flow rate only by changing the dimensions of the pipes that connect a barrel to the bar, a time-consuming and irksome procedure.

GEC Small Machines' motor and inverter costs £85, of which the inverter accounts for about £70. It should only need maintenance after two or three years of operation. The company suggests that rival commutator motors sell for about £35 but require repairs costing about £70 a year.

PETER MARSH

Low cost word processor

SCREENTYPIST is the name of an all-British word processing system which Office and Electronic Machines has launched at under £1,500.

The company believes it is breaking new ground in price/performance since the machine costs no more than a top grade memory typewriter but has many of the advantages of text manipulation on a screen.

The system has a nine-inch monitor, a 3.5 inch disk drive and uses the Adler Imperial SE310 electronic typewriter for keyboarding and printing. About 100 pages of text can be stored on each disk. More on 01-407 3191.

Software for chip design

COMPUTERVISION, which some market researchers say has been overtaken by IBM as the leading computer aided design company, also admits in a recent statement that it has "felt heavy pressure from new workstation-based suppliers."

But it says it has "answered back loudly" at the recent Silicon Design exhibition by announcing 10 new products that concentrate on the electronic design segment of the industry.

One of these is Personal Engineer, a schematic capture package which runs off the IBM PC/AT. There are also three new logic design enhancements, an advanced VLSI (very large scale integration) layout system and several interfaces that allow schematics created at the Personal Engineer and other CV systems to be translated to the format of a Scicards, Racal Redac or CV CADDS 4X printed board layout system.

THE ARTS

Architecture/Colin Amery

Ideal balance of old and new in Covent Garden

The story of Loodoo's Covent Gardeo is ooe of the great success stories of the capital. It ie hard to remember the kind of climete thet led to a deslre for the total redevelopment of the entire area back in the 1960s. During the recent bot weather end this summer'e messive lnflux of tourists both the plazza and the fringe muesli belt have been crowded and colourful.

One of the reasons thet the area bas been such e success is the eminently satisfectory scale of the environment. Io spite of its position at the beart of the capital lt remains dense and domestic with spaces suitable for all scalee of buman ectivity.

The most recently completed area of Covent Garden is known as the Comyn Cbing Triangle. It stretches from Seven Dials in the north and is bounded by three streets: Monmouth, Mercer and Shelton Streots.

The name of Comyn Ching bas been famous for years as the company with an emazing aelection of door handles, knobs and knockers and almost every kind of domestic brass and metal work. They acquired their London premises in 1723 and since then have consolidated their bolding on the triangular site. Seven Dials was, ln lts day, an insplred piece of town planning which caused the diarist John Evelyn to write in October 1694: "I went to see the building beginning near St Giles where seven streets make a star from a Doric pillar placed in the middle of a circular aree."

The area acquired a eeedy reputation over time, close as lt was to the infemous rookories—networks of tightly packed slums — thet were cleared by the construction of New Oxford Street and Sbaftesbury Avenuo.

The miracle of what you now see on the Comyn Ching aite is that most of the listed buildings survive and have been eohaoced by their new setting. The clearaoce of outhuildinga has also made a new public space at the centre of the site.

It is something of a mlracle because it has been a subtle and complex buslnees to create a new focus of attention, bebind the street facades, that bas e llfe of lts own and is accessible for the public. Tbe erchitects for the scbeme of restoration and development are the Terry Farrell Partnership—a firm once described as Britain's premier poet-modernist erchitects.

The particular gilt brought by the Farrell Partnership to this eite is an ability to see potential in a tight city corner thet can be opened up and made agreeeble to use .Tbe idea of clearing away the debris of centuries, collected bebind tho houses and sbops, to make a new smell open spece (Ching Court) liberatod the wbole area. It bas given the etreets a front and a back with new entrances for offices from the courtyard. It is a amall but important improvement: it is now *possibla to walk* through the site from Shelton Street to Monmouth Street. London gains a new link—thus do cities change and grow.

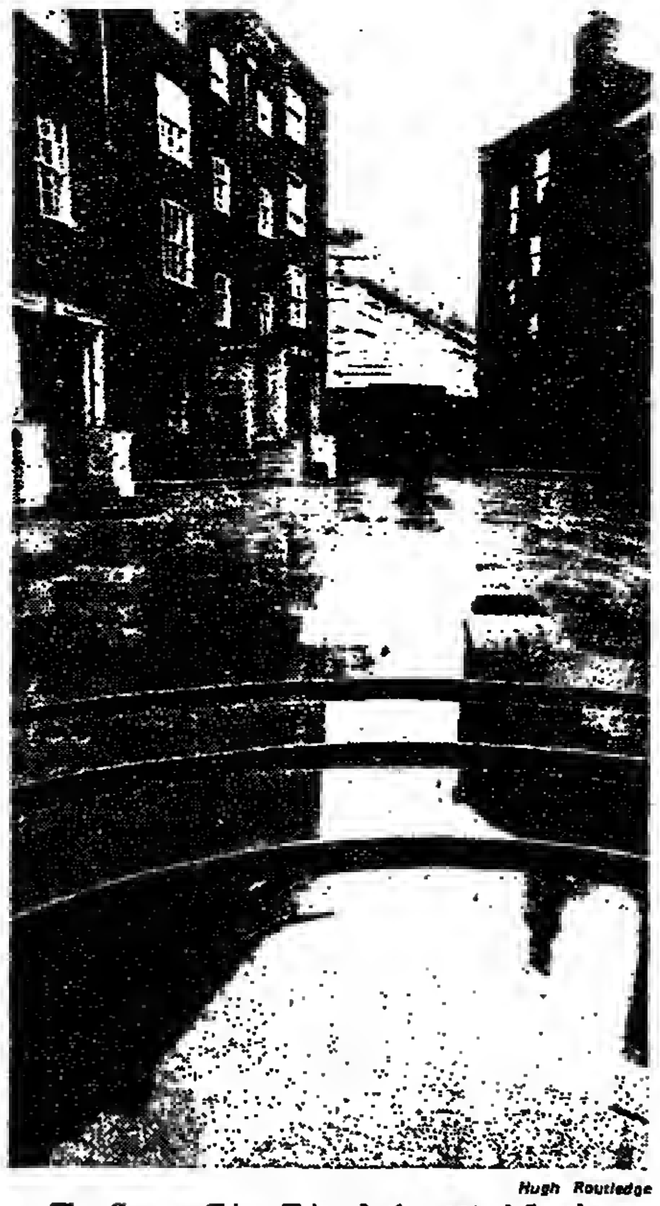
What about the architectural treatment of the old houses and shops? It is clear that these architects are not gentlemen of compromise. No wet neoclassicism here but a new interpretation of bislorical references that has produced somethin gnew. On the new courtyard empbatic and strange classical doorcases—more on the lines of eomething by Vanbrugh—stand like solid bluo sentry boxes. Tho stone treetment of the court is very pleasing with the slope of the land absorbed into eteps and circles. There *is* a *pleasing* hint of the Orlent in the gateway to the court from Shelton Street with its red woodwork and iron gates.

Elsewhere in the scheme you are less awaro of the band of an architect of today—the restoration of the exteriors of the atreet facades bas been executed meticulously with a serious sense of continuity. Inside, the use of a eimpler aod cruder classical detailing wberever the original has had to be replaced is challenging but effective.

To make the wbole development commercially viable it wae necessary to balance the resldential and commercial uses. The decisloo to demolish the mainly Victorian corner sites to allow for new offices on the Seven Dlals corner end new flats on Mercer Street provides the key to finenciel viability. The deslgns for these yet to be bullt corners sbow a good sense of scale and a predictable sense of rather crude decoration and modelling that is the penalty of Post Modernism.

There is no doubt that the interiors of minor 18th century houses do not necessarily meke good offices. They do make excellent small flats and it is *refreshing* to find one of them being used again as a whole house. The cbanging window and room heigbts bas meant that complete rearrangements bave been necessary. Salvaged panelling bas beon used wberever possible and e certain freedom bas ellowed for the creation of top lit rooms and a ricb variety of staircase treatments.

The Comyn Cbing Triangle is a model small scale inner city development, achieved without too many sacrifices or compromises. The new additions are far from being in the splrit of the old, hnt the combination of original contemporary work and tbe retention of tho best nf the old has given the scbeme a sense of creative continuity. I bope that the new cornor blocks will act like well designed bookends supporting between thom the conserved erchitectural wisdom of the years.



Hugh Routledge

The Comyn Ching Triangle in central London, a welcome new development

Opening nights of the Proms

Andrew Clements

No prizes for predicting tbet the 1985 Promenede Concerts would begin with Handel, or that *Messioh* migbt be chosen as the opening work. But lt was not a fasbionable lean account which got the season under way at the Albert Hall on Friday. In tbese style-consclous times the BBC might have shied away from the kind of choral extravaganza with a cast of hundreds wbich until 20 years ago was the norm for any *Messioh*, but it provlded the nearest ecceptable tbing in the shape of Mozart's version of 1789, sung in German wlth the BBC Singers and Symphony Orcbestra conducted by John Pritchard.

As one wbose *teenage* Christmases were regularly spent playing in performances of *Messioh* according to Ebenezer Prout's Vlctorian edition, I cannot say that bearing Mozart's scoring (wbicb served as a model and inspiration for the 19th century arrangers) produced in me the kind of culture shock it might beve done in my better brought-up colleagues. The flute and clarinet additions did not jar, I am afraid, nor did the inclusion of two Frencb horns in "The Trumpet Shall Sound" produce more than a pessing surprise, for many of Mozart's most telling changes beve become an eccepted pert of the cboral tradition.

How much of the scoring was effecied by Mozart and bow much was the work of Baron van Swieteo, who commissioned the arraogement, is uocertain. Mozart's task was to produce a homogeneous classical orchestral texture, replacing the baroque continuo with string thickening, but he dld so with great restraint. Sololsts were re-arranged for some recitatives and arias, and ln the third part the aoprano's final arla is short, dramatic recltative. But otherwise, the additions of wind lines are thoroughly tasteful and only very rarely used in an unashamed pictorial way.

For the performers, however, it seems as if the classical good *manners* of *this* verslon *create* their own problems. The forces are reletively small, but there la no place for baroque pungency for the same historicel reason thet grandiose effects would be inappropriate. Fridey'a performance settled unfortunately for an anodyne middie way, without much incieiveness in the chorus work or anything more than efficiency in the instrumental playing. Sometimes there appeared to be muddled thinking: why double-*dot rhythms when Mozart's* score clearly indicates otherwise?

Tbe quartet of sololsts sometimes brought things to llfe, particularly the soprano Julia Varady and bass Samuel Ramey; the others, Marilyn Horne and Anthony Rolfe Jobnson, were more inclined to follow the chorus's example and opt for civilieed, undramatic delivery. The conventionel cheering whicb greeted the end of the performance for once seemed more respectful than enthuslastic.

*

This year marks not only the tercentenaircc of Bach and Handel; they also share *their* anniversaries with Domenico Scarlatll (his 300th) and Heinrich Schütz, who was born 400 yeers ago. Scbütz's cause seems to have been almost entirely neglected tbls year, and tbe late-night Prom on Saturday from St Luke'a, Chelsea, made aome amends, pairing his *Musicalische Exequien* wlth Scarlattl'a *Stabat Mater* sung by the Monteverdl Choir under John Ellot Gardiner.

Such a palring of works made an unusually *eatisfying* short programme. The exuberant decoration of Scarlatti's choral work was a nice foil for the austere, hioratic contrasts of Schütz's wonderfully coherent three-part elegiec work, fusing funerary odes with a four-part motet and a final Nunc Dimlitis, all delivered by the Monteverdi Choir witb carefully graded textures and in simple, amply expressive ahapes.

Land/Coliseum

Clement Crisp

It was an evening for male dancing with Festival Baliet on Fridey, when Patrick Dupond from tho Paris Opéra sbowed just bow *Etudes* should be end Peter Schaufuss was joined by Petrick Armand in a taut account of Béjart's *Song of o Wayforer*. These were the higb points of an unbalanced programme which brought the first performance of Christopher Bruce'e *Land*, a work wholly et odds with the drenched emotionalism of *Béjert's view of Mahler and the* flashy metters of *Night Creature*, *Etudes*, and the *Don Quixote* trapeze act.

Land is, like much of Mr Bruce's choreograpby, all sincerity in offering yet another Horrid Werning about men's inhumanity to man. Tbe set by Walter Nobbe is grey, suggestive of a desolate and wer-torn landscape, with hints of uniformed corpses. The women are dressed ln dowdy, no-coloured frocks, with wispy helr — sure sign that they are going to suffer — and the men bave shirts, trousers with a hint of puttees, standard wear for the victims in tbese affairs.

The hallet begins with a simple tune played on a piano, which allows the regulation folk-dance steppings before a screeching electronic score by Arne Nordbeim introduces the angulsh, tbe racings and falls, the brutal soldiery and posee of grief and hopelessness, that are the inevitable feto of "the people" in ballets of tbis kind. *Land* is cast in a language which I now identify as Kylian-speak, with its dancers—bere performing with edmirable conviction—rearing in despair, or gazing into the distance in gloomiest fashion. I find myself increasingly reslstant to choreography that imagines *itself a clause in tha United* Nations Charter.

Tbe Béjart *Wayfarer* duet, not the most jovial of works, seemed positively sunny by comparison, and it revealed Schaufuss (as the Man) and Armand (as his Fato) ldeally matched in physique, technique end sensihillty. The Mahler *Lieder eines fahrenden Gesellen* were very well sung hy Donald Maxwell.

Peter Schaufuss has brought in a number of young artists to enliven the repertory of bis company: latest to be seen in the 16 years old Trinidad Sevillano from Spain, who appeared in the *Don Quixote pas de deux* with Raffaele Paganinl. Beyond noting the Miss Sevillano has the muscular ability to go througb the tricks that constitute the choreography of this version, I can only observe that thore has been altogether too much of the circue in this season's presentation of unsuited or un-stylish dancers as they fling themselves through the flaming paper hoops of the piece. Such showcases are only for noble and classically truo artlsts.

In *Etudes* Patrick Dupond demonstrated his best qualities of exhilarating verve and astounding technical resource. Whipping through impossible numbers of pirouettes, soaring over the stage, beating impeccably, he showed the joyous life of the dance in intoxiceting fashion. His companion, Kevin Pugh, was in very good form; Katherine Healy has facility ln performing certain steps and a youthful enthusiasm, but her dansing is as yet too lightweight to make any lasting effect ln tho hallerina role.

As a pendant to my review of the Royal Ballet School performance, I record that the young dancer whom I admired, hut could not identity, in *Serenade* ls Katherine Dunn, from Australia. With beautiful physique and a clear, fluent style, Miss Dunn's gifts merit careful nurturing by a major company—she is hright with promise.

Robert le Diable/Paris Opéra

Ronald Crichton

Meyerbeer's grand opera in spectacular new full-scale revival

Meyerbeer's extravagantly romantic five-act grand opera *Robert-le-Diable* was given 750 performances at the Paris Opéra hetween 1831, the yoar of the première, and the end of the century. Since then the work has not been seen there until the present whole-bearted revival. Florence stage *Robert* in 1968, severely cut, with Scotto and Christoff. Nottingham University Opera Group bravely mounted an almost uncut version, in English, four years ago. So great were the initial resonance and noteoriety that reaction and ridicule (Offenbach sent up *Robert* gleefully) were bound to set in. But 60 years is not a band run, and although the most determined opera huff has had to work hard in recent years to track down a performance, one cannot read far in operatic history without coming across this lurid page of romantic total theetre.

The present régime in Paris wisely waited until the renewed interest in *bel canto* opera was firmly established in the wider public and until suitable singers were available. The Romanian producer designer Petrika Ionesco has contrived an eyeful of e apectacle against towering rocks and crumbling classical ruins (the expected Gothic is kept for the very end) witb glittering costumes by Florica Malureanu. The llbrettists Scribe and Delavigne set tbeir made tale in the culture-jumble of Sicily wbither Duke Robert of Normandy has been banished for wicked behaviour.

Robert (tenor) is eccompanied by a boon-companion Bertram (hass), in reality a devil wbo has sired Robert on a human mother. They are followed by Robert's gentle foster-sister Alice, bearing a letter from their mother, recently deceased. Robert has mede an unsuccesful attempt to abduct the Princess Isabelle who loves him and ia about to he married against ber will to another. Tbe kernel of the plot and the main point of dramatic interest is Bertram's struggle to win his son's soul for the powers of evil. He falls. Isabelie gets ber Robert (why she wants such a vacillating creature, goodness knows). *Robert* is not a tragedy but a spectacular adventure originally planned moro modestly as an opera-comique.

The Paris cast is dominated by the spendid American hass Samuel Ramey, firm, sonorous and jet-black in voice, moving with grace, altornately glowering and smiling like a big cat reedy to pounce. Mr Ramey discharged the onco famous evocation to the khostly nuns in the haunted cloister with real magnificence. He was hardly less good in the sardonic duets in which the role abounds. Alain Vanzo no longer commands the oasy tenorial grace which tbe title-rolo demands hut he still performs with dash, style and hold attack. His diction put some of his countrymen to shame.

The contrasting soprano roles (a good publicity device exploited again by Meyerbeer in *Les Huguenots*) were taken by another American, June Anderson (Isabelle) and Michèle Lagrange (Alice). Miss Anderson's similarity in volce and features to Dame Joan Sutherland has been remarked. With the full-bodied even, supple tone she has inherited (and must watch) a tendency to keep words and consonants too far back. She filled tho big bouse with gleaming, exciting sound. What she needs now, as well as clear words, is simplicity. The pathos in "Robert, toi que j'aime" was trowelled on. All *the same* Miss Anderson deserved her ovation.

Meyerbeer balanced the fomale roles adroitly. Alice moved up in the world when sbe was sung by Cornélie Falcon and Jenny Lind, yet Isabelle has tbe more hrilliant solos. Miss Lagrange asked lndulgence for indisposition, hut except for some hreathiness there was little sign of trouble. Her phrasing was warm and sensitive and she held the pitch in the dangerous unaccompanied trio with Robert and Bertram. The chorus produced plentiful volume without the old sharpness of attack.

Thomas Fulton conducted. In the first two acts, wbere Meyerbeer proceeds by fits and starts, nibbles and jabs, one sometimes wanted a firmer guiding hand, hut conductor and players left no one in doubt concerning the inventive scoring. This, as Berlioz noted with appreciation, reaches a climax in the cloister scene. *Here the* instrumental colouring persuades wbat looks on paper superficially conventional ballet music to release a genuine whiff of sulphur.

As anyone may hear, Meyerbeer did nnt *command* the genuine demonic poetry of Weber, Berlioz or Liszt, yet his masterly simulation can still raise a shudder. Mr Ionesco and his choreographer André Prokovsky offended a few in the audience with a burlesque dance of ghostly nuns in drag, hut this was only an incident, and if a scene of hlasphemy doesn't shock, what is the point? Taglioni, who danced the role of the abbess in the original, was not amused and left the cast to cleanse berself with the romantic ballet par excellence, *La Sylphide*. In the cloister scene as elsewhere mnch was lost by lighting which preferred picking out details of scenery to illuminating the performers' features.

In the corridors of the Opéra and in part of the library there is an exhibition *which*, with a treasurable (and expensive) catalogue offers a feast to those wbo enjoy the visual side of romantic opera. Here among other pleasures are the triple portrait by Lepaulle of Levasseur, Nourrit and Falcon as Bertram, Robert and Alice, looking mighty startled in the last-act trio whicb is one of the best things in the score.

It seems that the original décors inclnding the cloister set by *Ciceri*, partly seen in a well-known painting by Degas and spawning progeny as late as the Visconti *Don Carlo* at Covent Garden, survived with retouchings until Robert faded from tho repertory. Ionescu's set *mey not last* as long as thet but there is aurely a chance now of seeing the opera from time to time. The five hours in a sweltering theatre did not seem too long.

Idomeneo/Glyndebourne

Max Loppert

The single Mozart opera of the 1985 Glyndebourne Festival is *Idomeneo*, in a revival of the 1983 production by Trevor Nunn. Thia is, perbaps, the loftiest, most hlghly wrought, most musically abundant ecore in all of 18th century serious opera; yet as a tbeatrical experience it doesn't always provide wbat love and belief insists it should. Friday's performance bowever, was a vindication of *Idomeneo* the music-drama—a performance so gripping, rich, and moving as even to awake contrition for past doubts.

Simon Rattle undertakes the opera for the first *time*. *The* oncounter ahows just why he must be singlod out from tho mass of today's young conductors; for lt was an encounter with an immensely difficult work in which the most important things went splendidly right, in whicb probity, humility, and a natural instinct for theatre combined to make the opera continuously meaningful on all levels. The luxuriance of the scoring and vocal writing came across with wonderful freshness (tho LPO and Glyndebourne cborus were on best form). But thero was no dawdling over the splendours of the score ("Idol mio" and "Placldo è ll mar" could even take a littlo more expansiveness), no heaviness, and, equally, no lack of weighty seriousness. Rattle here *revealed* b*imself* as a *fiery* classicist and, so doing, revealed Mozart'a youthful fiory classicism anew.

The production ahowed up woll in such circumstancea. To my taste better, indeed, than when first seen: the fusion of delicate Cretan motifs and oriental spareness of architecture may still efford uneven support for the opera'a structure, and the chorus bandling may still betray fussiness, but the halance hetween pit and stage is now more securely held by a cast better able, on tho wbole, to fill out the foreground es the producer requires.

Philip Langridge, returning to the title role, now builds up an extraordinarily taut, *intense*, and emotionally intricate characterisation, for wbich a few strained high phrases are small price to pay. Yvonne Kenny (the 1983 alternate Ilia) has never sounded more lustrous; ber playing of a young princess sensuous, dignified, and herolc in her turn could hardly be bettered. A tenor Idamantes, given John Aler's unfeigned sweetness and nobility of voice and manner, no longer seems second-best (and the 1983 decision to include the Act 2 aria wlth violin obligato no longer a courageous error). Only Electra makes less impression than previously: Helen Walker, replacing the indisposed Elizabeth Connell, bas good, strong ldeas about the role and the vocal line hut not always the full aupply of tone to carry them through.

A brief note about *Albert Herring* tho following evening, in which Jane Glover took over in the pit from Bernard Haitink (as she will for the rest of the run). Thero was no discernible loss of sparkle, energy, and drive in the performance: from a stalls seat on tho side aisle quite a lot of word-audlbility was sacrificed to tho general exuberanco, but the fault probably lies with the house acoustics and the composer about equally. This is one of the vintage Glyndebourne casts (e passing doubt about the stamlna of Patricia Johnson'e Lady Billows notwithstanding) and one of the vintage Glyndebourne productions. So if at least *one* momber of Saturday's audience continues to find this Britten'a weakest opera, e pecullar and rather rum bag of tricks, it was not for want of the most forceful kind of Glyndebourne argumant to the contrary.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

July 19–July 25

NEW YORK

Mostly Mozart Festival (Avery Fisher): Mozart Festival Orchestra conducted by David Zinman with Alicia de Larrocha, pianist; and Milan Turkovic, bassoonist: J.C. Bach, Mozart, Haydn (*Mon, Wed*); *Emerson Quartet* with Garrick Ohlsson, piano; and Milan Turkovic, bassoon: Mozart, Danzi, Beethoven (Tue); Peter Serkin, piano: Stravinsky, Mozart, Bach (Thur). Lincoln Center (8742424).

CHICAGO

Ravinia Festival (Highland Park): Beaux Arts Trio: Haydn, Mendelssohn, Ravel (Mon); Brahms, Mozart, Schubert (Tue); London Symphony Orchestra, Neville Marriner conducting; John Browning, piano; Verdi, Mozart, Rachmaninoff (Wed); Chicago Symphony Orchestra conducted by James Conlon with Young *Uck Kim, violin: Stravinsky*, Mendelssohn, Dvorak (Thur). Highland Park (7284842).

NETHERLANDS

Amsterdam, Nieuwe Kerk (Dam Square). Organ recital by Bernard Winsemius. Couperin, Vierne, Alain (*Thur*).

Scheveningen, Circus Theatre. National New Zealand Brass Band, with Maori dancers (Tue). (558800).

ITALY

Turin: Teatro Regio: The Italian Youth Orchestra conducted by Piero Bellugi. Beethoven, Bartok and Mahler (Tue). (548000).

Verona: Chiesa Inferiore di S. Fermo: *Harpsichord music by Scarlatti*, Bach and Handel, played by Gordon Murray (Wed 6pm).

PARIS

La Grande Ecurie et la Chambre du Roy with Rene Jacobs as conductor and counter tenor, Hans Goverts, harpsichord: Bach, Handel (*Mon* 8.30pm). Saint-Severin Church.

Sylvie Carbonnel, piano: One hour with Beethoven (Tue 6.30pm). Sorbonne, Amphitheatre Richelieu.

LONDON

Brigitte Fassbaender, mezzo soprano, accompanied by Irwin Gage. Schumann, Berg und R. Strauss. Wigmore Hall (Mon). (9352141).

BBC Symphony Orchestra and Chorus conducted by Sir John Pritchard. With Alison Hargan, soprano, Sarah Walker, mezzo and David Wilson-Johnson, baritone. Sessions and Mahler. Royal Albert Hall (Mon). (5898212).

Bournemouth Symphony Orchestra conducted by Rudolf Barshai with Yefim Bronfman, piano. Mozart, Beethoven and Shostakovich. Royal Albert Hall (Wed).

TOKYO

Kiri Piano Quintet: Dohnanyi, Schumann, Schumidt. Toshi Center Hall (walking distance from New Otani and Akasaka Prince Hotels). (Mon). (5711689).

Takayoshi Wanami (violin): All-Bach recital. Ishibashi Memorial Hall. (Wed). (5711689).

Roger Woodward/Barbican

Dominic Gill

A brief nota to mark the return to the London concert platform after a long absence of the Australian planist Roger Woodward—who during most of the 1970s was one of the enfants terribles of the London piano scene, and who gave, in his unpredictable fasbion, not only some of the most bair-reisingly eccentric recitats I can remember from tbat decade, but also eome of the most atriking, original and commandingly beautiful.

A Raymond Gubbay concert promotion, with tbe Royal Philbarmonic Orchestre under tbe stolld baton of Per Dreier, was perheps not the most auspicious context for a return. But Woodward's performance of the Grieg concerto on Friday night hed familiar force and ring. Hle best playing has always been remarkable for its concentration and depth of colour: the first movement cadenza in particular was a splendid drema of light and shade, and the adagio beautifully shaped, a web of pastel half-toncs. It was the interplay of brilliant and melting colours by turns whlch most characterised the finale—quick and bright.

Woodward makes a more substantial, and certainly a more telling, eppeorance at the Wlgmore Hatl this Wednesday, when his programme includes all three of Chopin's sonatas.

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Monday July 22 1985

European imperatives

The inter-governmental conference between the member states of the European Community which convenes in the autumn, and which will be prepared by today's meeting of the foreign ministers, will be the Community's most politically charged negotiation since the great bust-up between France and the Five 20 years ago. Tidy-minded bureaucrats will do their best to reduce it to a negotiation on technicalities and legal formulae. But these technicalities will only be the superficial symbols of the central question facing the governments: what kind of Europe do they really want?

On the surface, the negotiation will be about majority voting in the Council of Ministers, about the powers of the European Parliament, about the role of the Commission. But just below the surface, governments will be confronting a question of much greater generality: are their common interests and their interdependence now so great and so extensive that they can and must respond by a deliberate and visible step towards a more integrated Community?

What distinguishes this negotiation from the negotiations of 1950 and 1957 is that the Six were a self-selected group of countries which started out with a similar answer to the question; on both occasions Britain answered the question by staying away from the negotiating table. But today several member states will instinctively answer the question in different ways.

Greece currently takes an arm's-length view of its relationship to the rest of Europe, treating the Community primarily as a source of development finance. Denmark, for political and constitutional reasons, has serious reservations about any move which appears to imply a surrender of sovereignty. By contrast, the Benelux countries and Italy are explicitly committed to seeking constitutional changes which would symbolise and strengthen Europe's common interests, even if they have not spelled out precisely what they want. The dilemma of the conference, therefore, is whether it can straddle these divergent attitudes with a package deal which satisfies the Euro-unionists without alienating the reluctant Europeans. For if it concludes without unanimous agreement, the split which emerged in the vote at the Milan summit will turn into a political chasm, with unpredictable consequences.

Britain's alignment with Greece and Denmark at Milan was not just an error and an aberration: it was a denial of reality. Britain is a medium-sized European power like France and Germany, and it has long been obvious that its place is in Europe. Its economy requires access to the European market, and on no important issue are its fundamental interests at variance with those of its European partners. It depends at least as much on Europe for its security as it does on the United States,

Systematic discussion

Moreover, British policies have, over the years, moved substantially into line with these realities. The Government has become one of the keenest advocates, not merely of tighter foreign policy co-ordination between the member states, but also of more systematic discussion of Europe's distinctive security concerns. By the same token, it has been converted to the need to revive the Western European Union defence organisation, and it is one of the strongest supporters of the need for systematic collaboration in arms procurement in Europe. Finally, it has explicitly recognised, in the paper delivered to the Fontainebleau summit a year ago, the indissoluble connections between economic integration, political solidarity, and the common defence

It is therefore extraordinary that the Government should feel impelled to distinguish itself from its major partners in the Community by hanging back, slightly but unmistakably, from the kinds of constitutional change that they are ostensibly seeking. It is sometimes argued that there is a large gap between rhetoric and reality among the Euro-unionists—they do not really mean what they say, witness the recent German veto on a tiny cut in the price of cereals. This is a shallow debating point, and a dangerous one, because it might turn out to be wrong: the fact that they used the veto does not prove that the Germans would no prefer a situation in which such an option was unavailable.

But in any case the reverse gap is manifest in Britain, where the Government's domestic rhetoric on the subject of Europe is much more minimalist than its real policies. It is hard to conceive a more fundamental surrender of the totem of national independence than the commitment to the forward defence of Germany—a commitment France has not yet made—and impossible to reconcile it with a vestigial insistence on the right of national veto in the European Community, which is being sustained much more for rhetorical reasons than because Britain's vital national interests are more likely to be at risk than those of the Euro-unionists.

These discrepancies of rhetorical approach are politically significant, but it is important to recognise that they exist largely in the mind. On practical, nuts-and-bolts issues, the differences between Britain and the Euro-unionists are increasingly differences of emphasis rather than principle. Even on constitutional issues, so heavily symbolic of long-term aspirations, the differences between Britain, France and Germany are probably small: they all recognise that big changes in the Rome Treaty can probably not get through 12 parliaments. But political sensitivity in these negotiations should rule out any gratuitous disparagement of the long-term aspirations of the Euro-unionists, even if they are currently unrealistic.

Moreover, the greater the practical difficulty of securing ratifiable treaty changes, the greater the importance of introducing credible reforms to Community decision-making by methods which are effectively binding even if they fall short of parliamentary ratification. British proposals for "more" majority voting fall in credibility because they would not be binding. In the last resort, there is one reform that a majority of member states can impose: the disavowal of the Luxembourg compromise and the national veto, because it has no legal basis.

On all fundamental issues of principle, British interests coincide most extensively with those of the original Six. If the French Government were to follow the French Socialist Party in endorsing a commitment to the defence of Germany, that match of interests would be even closer. The question is not whether British bureaucrats have made the finest judgment on what is prudent and negotiable in constitutional terms, but whether Britain and the Six, at least, are committed to strengthening their common interests.

SOUTH AFRICA'S EMERGENCY

Mr Botha tightens the screw

By Anthony Robinson in Johannesburg

HOURS BEFORE South African State president P. W. Botha announced on television that a state of emergency was to be declared in parts of the Transvaal and Eastern Cape, the news was broken before a crowd of 50,000 at the funeral of four slain black activists.

The mourners in the tiny East Cape town of Cradock greeted the development with an audible intake of breath and angry murmuring while the platform of priests, black community leaders and anti-apartheid activists vied in condemnation of this latest tightening of the screws. It comes after 11 months of continuous violence which has led to over 450 deaths, and a mounting climate of insurrection in black townships throughout the country.

The decision, which presages an end to the relative restraint of the authorities, takes place against the background of mounting consumer boycotts against white businesses and the threat of a strike by black miners next week in the country's vital gold and coal mines. The death toll so far has been beneath the 575 dead of the sharper but shorter Soweto rising of 1976.

The state of emergency signals the end of Government hopes that a mixture of repression and reform would serve to blunt what has now been clearly recognised as an unparalled challenge to the white power structure. It marks the determination of the Government to use the full powers of the police and the army to restore order.

A similar state of emergency was delcared on March 30, 1960, a week after the Sharpeville massacre but was lifted after five months. Limited emergency powers were also introduced towards the end of the Soweto rising.

To many it is a mystery that the Government has not already clamped down more severely in the face of unrest which is more widespread and deeply rooted than ever before.

Partly this is because the Government already enjoys Draconian powers of arrest, detention and repression under the various internal security and other acts and partly because the Government has sought over the past year to combine a policy of piecemeal reform of "the most discriminatory" aspects of apartheid laws with maintenance of law and order. It has been reluctant to use its full and awesome powers of repression in the hope of widening its support, especially amongst Coloureds and Asians.

Thus far it has fallen between two stools. It has not been bold enough in its reforms to attract support from the majority black community deeply angered by their exclusion from representation under the new constitution. It has not been ruthless enough to prevent the rise of black political consciousness and organisation in the townships and rising black self-confidence under young and fearless leaders.

The new policy is likely to be aimed at seeking out and neutralising the unofficial leaders of black student, community and political groups, including highly politicized priests. It has many of the hallmarks of an admission of failure.

President Botha (left) and Saturday's funeral for four black activists at Cradock in the Eastern Cape (right).

Certainly that is how it is seen by Dr Frederick Van Zyl Slabbert, leader of the white opposition Federal Progressive Party (PFP). Declaring a state of emergency, he said, "is a devastating comment on the outcome of the November 1983 referendum. What was supposed to be the beginning of an era of negotiation and consensus politics has seen us drift steadily into the present state of semi-siege. This government has neither the ability, the plans nor the talent to cope with the demands of genuine reform."

Funerals have become shows of solidarity

One of the greatest failures of the Afrikaaner-dominated National party government has been its inability to make any progress with its stated aim of attracting responsible and moderate black leaders into the "non statutory forum" proposed in January by President Botha to discuss the forms of eventual black participation in the political process. The Government blames black agitators and intimidators for frightening off potential participants, and points to attacks on the homes and families of black local councillors and policemen as proof.

This has undoubtedly been a factor. But the main reason why the Government has not been able to attract black leaders into talks on the future of black participation has been the unwillingness of governments to offer the prospect of real power sharing.

Chief Gatsha Buthelezi, leader of 6m Zulus and of the 1.1m strong Inkatha movement, for example, angrily dismissed President Botha's forum offer as "a lousy crumb from the white man's table." In a major speech last week he made clear that all he is prepared to discuss is a formula for genuine power sharing which will give blacks a say in the raising and spending of revenue and the making of laws.

On Friday Dr Slabbert revealed that since the Government offered to open up the Cabinet committee discussing black political rights to members of other political parties in April, there has been no progress and no participation by the PFP, which accepted the offer with alacrity.

Inability to move forward convincingly towards power sharing has weakened the position of moderate black leaders at the same time as high inflation and rising unemployment has filled the townships with bitter unemployed men and women.

Inflation is currently running at 16 per cent while black unemployment is unofficially acknowledged to be in excess of 3m or more than 25 per cent of the employable black labour force. The economy has been in a steep recession since August last year and the rand currently standing at around 52 cents to the dollar, has only recently recovered from its all time low of 42 cents last January.

The first results of austerity and a weak currency are beginning to show through in higher exports and the gold and other mines are benefiting from their strong rand receipts from exports. The balance of payments has swung strongly into surplus but growth is not expected to resume until the end of this year and even then at a rate insufficient to dent unemployment.

Poverty and unemployment have coincided with heightened political awareness of black children. The young are in revolt against the inequities of the Bantu education system and the prospect of a lifetime of poverty and alienation in the segregated townships or even worse, the distant homelands. They are increasingly becoming the standard bearers of revolution.

Indeed the coffins of the four local community association activists believed murdered by Latin American-style death squads were carried into the township sports stadium last weekend behind the black, green and gold banner of the African National Congress (ANC) and the red flag with gold hammer and sickle topped by a gold star of the Communist Party of South Africa.

It is precisely this kind of bravado which so worries the white authorities. They fear that what President Botha described in his announcement of the state of emergency as "the utmost patience" shown by the Government so far has been interpreted as weakness and a sign that the Afrikaners no longer have the will or ability to impose their order.

But the banners of the ANC and the Communist Party were not the only signs that black society has become as emboldened as the Polish workers' movement Solidarity before the imposition of martial law in December 1981.

Other placards prominently on display carried slogans like "Tambo, we demand AK47's and bazookas. We are ready" or "Business and military same side of a bloody coin." (Oliver Tambo is the leader in exile of the banned ANC; AK47 assault rifles have become the symbol of armed liberation struggles in Africa and the Third World.)

The placards bore eloquent witness to the way in which a revolt last September against rent increases in the townships of the Greater Johannesburg area has broadened out into an attack on the symbols of white authority in the townships.

It is still a subject for debate whether the ANC from its headquarters in Lusaka actually sparked off the current wave of unrest. The evidence suggests that it was taken as much by surprise as the Government. But there is little doubt that the ANC abroad, many of whose internal leaders like Nelson Mandela are in jail, has sought to guide and profit from the strategy of making black townships no-go areas.

The South African government in reply has stepped up its own efforts to seal the frontier to arms and infiltration, as shown by last month's raid on ANC cadres and safe houses in neighbouring Botswana. Ironically, however, its success in expelling the ANC from its bases in Mozambique after the March 1984 Nkomati accord with Mozambique appears to have led to a greater spirit of self-reliance among anti-apartheid forces inside South Africa itself.

Black councillors were the first targets of violence

Despite repeated denunciations of the United Democratic Front (UDF) as a front for the ANC, the declaration of a state of emergency has not been accompanied by a ban on the organisation.

Instead the Government has proceeded to arrest UDF leaders over the last six months and three treason trials are currently under way. Until now, however, this hydra-headed front for over 600 political, student and community associations has shown remarkable resilience with new leaders springing up to replace those on trial or in detention.

Declaration of the state of emergency is recognition that the greatest challenge to white authority comes not from over the border but from the virtual collapse of black local government and the emergence to fill the vacuum of radical political and student organisations. They demand not only better schools, housing and facilities but political power at a local and national level.

The first targets of the violence in black townships were the black councillors who were placed in an impossible position by the failure of the 1982 black local government act to provide the new black town councils with an autonomous fiscal base.

Next in line were the houses of black policemen and on the East Rand alone the homes of 178 black policemen have been destroyed. The net result is that many townships are now policed exclusively by patrols of armoured cars sallying out from fortified bases, rubbish collection and other services are neglected and many of the former township facilities and shops are burnt and gutted shells.

Without effective local government or policing the townships have also become the battlegrounds for conflict between rival political groups, especially in the Eastern Cape where in-fighting between supporters of the UDF and the black consciousness Azapo movement has caused dozens of deaths.

The state-run television followed up President Botha's announcement of the state of emergency on Saturday night with film of speakers at the Cradock funeral against the background of the red flag and the hammer and sickle followed by shots of a police informer being kicked to death. This underlined the message that the emergency was designed to prevent subversion, murder and anarchy.

What is not clear at this stage is whether it also signals the end of the Government's policy of "reform" now that 11 months of unrest have demonstrated that what has been on offer up to now has been decisively rejected as cosmetic at best by the black majority.

In his proclamation, President Botha said only that it was essential for the situation to be "normalised in such a way that the climate for continued dialogue in the interest of all people in the constitutional, economic and social fields is ensured."

What those bland words ignore is that up to now, there has been no real dialogue on these fundamental issues. The Government has sought to impose its own plans unilaterally.

The two questions hovering over the future are whether increased repression will succeed in dampening revolt or provoke further resistance and whether the Government will now be persuaded to scrap those fundamental apartheid laws like the group areas act, the pass laws and influx controls and start to talk convincingly about sharing power with the black majority.

Men and Matters

Australia's master brewer

While many people have trouble walking past a pub without dropping in for a quick pint, Alan Bond, *Bête noir* to the New York Yacht Club and the Australian business scene, apparently has the same weakness with breweries.

On Friday the Ealing-born and now Perth-based yachtsman and inveterate takeover expert bid A$500m for half Castlemaine Tooheys, the Sydney and Brisbane brewery company which has about 30 per cent of the local market. It is 25 per cent owned by Allied Lyons which helped bring Castlemaine and Tooheys together five years ago.

Castlemaine would sit as part of a matching pair on the Bond Corporation's mantelpiece, with its Swan Brewery in Perth taken over three years ago for A$160m.

The sense of beer industry *deja vu* will be strongest for Lloyd Zampatti, chief executive at Castlemaine and managing director at Swan until Bond took it over. Zampatti is not vehemently opposed to the A$7.10 a share on offer by his now familiar adversary.

The strength of opposition and the scale of the target compared with the A$210m capitalisation of his 54 per cent owned Bond Corporation Group should leave the ebullient and ambitious Bond undazed. He did, of course, achieve the impossible in lifting the America's Cup from the New York Yacht Club in 1983 and makes a habit of borrowing lots of other people's money to mount takeovers, of which the latest is the biggest.

Bond's recipe for success is timing, opportunity, faith, hard work and the ability to analyse the risk and reward equation. "I'm not a gambler," he says, although he went within an ace of going under in the 1974 property squeeze.

In the past 18 months former signwriter Bond has spent A$120m buying into television stations and earlier this year bid A$400m in an unsuccessful effort to get control of Arnotts, the big biscuit maker.

If he gains the debt-free Castlemaine the sky will hardly be the limit. He already owns Airship Industries, the UK group reviving the originals as commercial aircraft.

"Remember, every soldier can just about carry a Field Marshal's salary increase in his knapsack."

Dallas continued

The plot of Dallas—the saga of British television politics rather the TV oil industry soap opera—thickens. Senior staff at Thames Television which ten days ago lost its managing director, Bryan Cowgill, over the ramifications of the issue, are now taking bets that Dallas will stay with Thames in spite of the best efforts of the IBA.

Worldvision, the American distributors of Dallas, is saying it will not talk to the BBC until there is concrete evidence in the form of programme purchase that the corporation is not blackballing its other programmes. And the company will not accept a cent less than the $60,000 an episode in the Thames contract.

Alasdair Milne, BBC director general, says he has no intention of paying that much and is waiting for Worldvision to come to him.

There seems no obvious way out of the impasse at the moment. It will still be a little ironical if Cowgill, who has gone on holiday to recover from the whole affair, will be able to sit at home and watch Dallas on the ITV button in autumn after all.

Revolutionary

If marketing is to be a key to success in the City Revolution—as many people believe—one of the more challenging jobs has gone to Christopher Arnander.

He has just been appointed head of business development at Barclays Merchant Bank, the subsidiary of the clearing bank which is putting together one of the largest of the new City conglomerates with de Zoete and Bevan, the stockbrokers and Wedd Durlacher, the jobbers.

"It certainly sets your adrenalin running," said Arnander of the prospect of plunging into the uncharted waters of the City's new markets. But he feels he will have a big advantage with Barclays behind him.

"It's a household name for soundness," he said. "It should also give us a good entree to corporate business, and institutional and personal business too." Arnander, who worked in Saudi Arabia until last week, was withholding comment on precisely how Barclays intends to tackle these opportunities.

Arnander, 52, joins BMB from Riyad Bank where he was chief adviser. Before that he did seven year spells in each of Hill Samuel and Williams and Glyn's. His appointment should make up for some of the defections Barclays has suffered recently in the City hurly burly.

Broken link

An unusual Anglo-German link in the field of engineering is coming to an end. Baker Perkins, the Peterborough-based manufacturer of food processing and printing machinery, is selling the stake it has held for nearly 60 years in Werner and Pfleiderer, a Stuttgart engineering group.

Several years of poor returns from its 30 per cent holding in Werner and growing competition worldwide with the German company in the field of food processing and plastics machinery have persuaded Baker Perkins to pull out. It is selling its holding to Krupp, the West German steel and engineering group, for around £4.5m.

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Baker Perkins' earnings from the German company have fallen in recent years to around £45,000 a year from £100,000 to £200,000 during the 1970s. The sale has been held up by the need to gain the approval of the other partners, the Fahr and Werner families. "We could not sell to the highest bidder," Colin Joyce, Baker Perkins finance director says.

Baker Perkins injected about £200,000 into Werner in 1927 in the form of preference shares. It later converted some of the preference equity into a 27 per cent in ordinary shares giving it a total holding of 30 per cent.

Breadwinners

Heard in the City last week: will stay with Thames in spite desks?"

"They're all away on a course—a sandwich course."

Observer

FOREIGN AFFAIRS

Straws in the Russian wind

By Ian Davidson

THE greatest virtue of the secrecy of the Soviet system is that it offers almost unlimiled room for speculation by Western commentators: it *makes jobs for Kremlinologists,* and it is their most exciting speculations, their most unconventional interpretations, which hit the headlines.

That may be because so many Kremlinologists are Americans, and America loves novelty. Yet conventional interpretations are normally safer as a starting point, because they are more plausible.

Thus, when Mr Yuri Andropov became party boss on the death of Mr Brezhnev, some watchers commented on his reported passion for jazz and Scotch whisky (or was it Bach and brandy?), and drew the exciting conclusion that the new man would turn out to be a pro-Western liberal. It did not take long to discover thal one of the leading characteristics of the man who bad headed the KGB was that of a disciplinarian. Not very surprising.

Similarly, when Mr Andrel Gromyko was moved upstairs to be the new President earlier this year, and replaced as Foreign Minister by the unknown Mr Eduard Shevardnadze, some watchers commented on the fact thal his experience of foreign affairs was extremely limited, and confined to a handful of countries in the Third World. They also drew the dramatic conclusion thal his appointment signalled a switch in the foreign policy priorities of the Soviet Union from the traditional superpower relationship, running through Western Europe, to greater emphasis on the Third World.

This line was reinforced by the parallel speculation, derived partly from the impression of total rigidity in the Soviet position in the Geneva arms control negotiations, that the Moscow leadership had abandoned any hope of desire for a better business relationship with President Reagan's Administration, and was hunkering down to wait for his successor.

Yet no sooner was the ink dry on these extreme notions, than Washington announced, and Moscow confirmed, that Mr Gorbachev and President Reagan would meet in Geneva in November. Moreover, Mr Gorbachev is also going to visit Paris in the autumn.

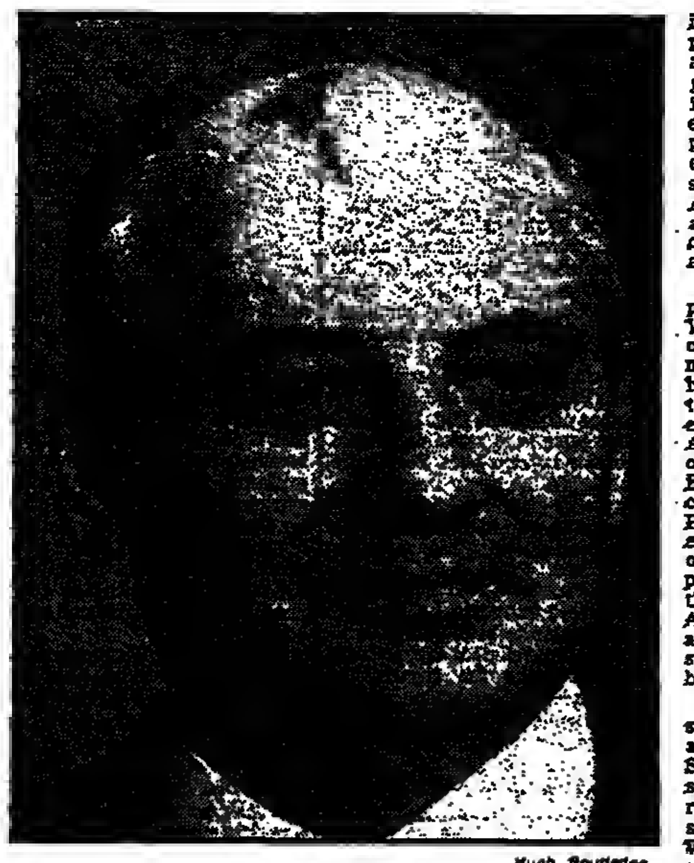
One possible inference is that the objective characteristics of the international environment, as well as the internal political dynamic of the Soviet system, impose a certain constancy on the priorities in Soviet foreign policy which cannol lightly be rearranged at the predilection, real or imaginary, of any new leader. The speed with which Mr Gorbachev has established his personal dominance, through a sweeping purge of leading members nf the old hierarchy, may have surprised and impressed Western observers: but the system over which he presides is still a collectivist system.

The constants in Soviel foreign policy preoccupations must include, and in all probability must be headed hy, the superpower relationship, because that is the relationship which encompasses the greatest potential uncertainties and even dangers for them—as for the rest of us.

The Russians may not like what little they understand of the Reagan Administration, they may not see with confidence any good way to gel hooks into President Reagan's "Star Wars" anti-missile research programme, and they may believe that will be very difficull to do any advantageous business with such a visceral anti-Communist. But it is stretching credulity to suppose that they can safely neglect the American problem for another three years or more. Such an option would be even more difficult for a new leader than for an old one.

The second constant in Soviet foreign preoccupations must be the East European empire, because the vassal states are, in varying degrees and at various times, in a permanent state of fermentation against their Soviet overlords. And the third constant must be Western Europe, partly because of its importance to the Atlantic Alliance, partly because, with Germany at the centre, its proximity and its economic strength give it large potential influence on developments in Eastern Europe.

Mr Gorbachev has already been to Eastern Europe, on a visit to Warsaw. The fact that he is also going to meet President Reagan and President Mitterrand would appear to confirm the constancy of Soviet priorities.



Hugh Routledge

Mr Mikhail Gorbachev

But the interesting thing about the planned Geneva summit with President Reagan, is that it appears to have been agreed without a settled agenda for negotiation, to say nothing of a pre-cooked agreement on any issue, however minor. And since President Reagan has been openly pleading for such a meeting for a long time, it is evident that the final decisinn to give the idea the go-ahead was made, after some reflection, by Mr Gorbachev.

What this suggests is that Mr Gorbachev and his colleagues in the Politburo have decided that they are either going to do something *with* the Americans, or they are going to do something *to* the Americans —one or the other—on the big neuralgic issue which unavoidably dominales all others in the superpower relationship, nuclear weaponry and arms control.

Naturally, the meeting may cover a lot of other ground as well: the Middle East, Afghanistan, U.S. grain sales, human rights, who knows? But for the Russians, and by November for the Americans, when the mid-term elections will be only a year away, the central topic is bound to be arms control.

Doing something with the Americans would mean making a serious attempt to unfreeze the Geneva talks with a view to moving towards a negotiable agreement: under this option the November summit might perform an analogous function lo the 1974 meeting between President Gerald Ford and President Brezhnev in Vladivostok, which sketched out the basic framework for the second Strategic Arms Limitation Treaty (Salt) which was finally negotiated in 1979.

Doing something to the Americans would mean refashioning the Soviet arms control posture in terms sufficiently attractive to Western European governments and to Democrats in the U.S., that il would either exert serious and embarrassing pressure on Ronald Reagan, or else provoke profound dissension within the Atlantic Alliance. These apparently alternative strategies could be combined in one, to be played either way.

The reason for this unreliable prediction is, of course, "Star Wars." President Reagan may or may not be content with a meeting which turns out to be little more than an amiable get-together, a media event to charm and reassure the American electorate but without any policy consequences. But Mr Gorbachev can hardly contemplate a meeting with President Reagan which, hy its effective silence on the subject of "Star Wars," could be interpreted as tacit acquiescence in the legitimacy both of the American research programme and, by implication, of the strategic aspirations which lie behind it.

If this is the Gorbachev strategy, then it calls for quite a profound re-think of the Soviet posture, certainly on the subject of nuclear weapons reductions, and probably on the subject of the American "Star Wars" research programme as well. For if the Soviet Union seriously wants a nuclear weapons agreemenl wilh the U.S., it will have to come to terms with the fact that "Star Wars," *as a laboratory research programme,* cannot be banned by treaty, because compliance with such a han could not he verified —at leasl not by any means that would be acceptable to the secrecy-obsessed Russians.

On the other hand, if the Soviet Union merely wants to split the Atlantic Alliance, by representing "Star Wars" as the ostensihle obstacle to a nuclear arms deal, it must al least be able to pretend that it is prepared to offer a deeper and therefore more attractive reduction in the superpowers' arsenals than the U.S. Al present this is simply not the case. The U.S. is proposing, as it did in the abortive Start negotiations of 1983, a one-third cut in ballistic missile warheads to a maximum of 5,000 on each side.

By contrast, the Soviet Union is *only* talking *rather* vaguely in public about a 25 per cent cut in nuclear weapons, which corresponds broadly to its proposals in the Start talks, but it has not tabled that proposal in Geneva. To exert real propaganda pressure, il needs to be able to match, or even exceed, the U.S. offer.

It is not, of course, necessary that such a dramatically improved Soviet offer be seriously meant: it could well be protected by a wall of impossible conditions so as to restrict it to propaganda purposes. But even to go through the motions of such an offer could imply a serious wrench to vested bureaucratic interests in the Soviet Union. The significance of the November date may therefore be that it sets a sufficiently distant deadline so as to exert some pressure, but permit enough time, for the Soviet bureaucracy to go through its internal negotiations.

All this is, nf course, very far-fetched. Yet it so happens that there have been a few tiny straws in the wind which may not be entirely inconsistent with such a double strategy. First, the New York Times has reported that Soviet negotiators in Geneva have indicated thal Moscow might he prepared to acquiesce in anti-missile research. The Russians quickly denied the report, but they would, wouldn't they?

Second, General Nikolai Chervov, head of arms control for the Soviet general staff, *told* a visiting U.S. Congressman that the Soviet offer of a 25 per cenl cut in nuclear weapons could apply lo warheads as well as to missiles. If confirmed in Geneva, this could be the start of a fundamental shift in the Sovlet position, because il is the multiple warheads on the Soviet heavy missiles which chiefly worry the Americans.

Now time may yet show that these are not so much straws in the wind as kiles, which Mr Gorbachev may be flying to see what the response is. They certainly do not commit him to anything yet. But you can be quite sure thal he is not going to Geneva to have his picture taken.

And what about the reported rehabilitation of Marshal Ogarkov, who was given the heave-ho last year? You'd better ask a Kremlinologist . . .

Lombard

Recycling the global surplus

By Anatole Kaletsky

LOTTERY winners are well known to be an easy prey for financial bucksters. At best they hand their windfalls over lo financial institutions for "professional management," which simply means buying financial instruments from nther financial institutions—and that is when trouble begins.

Ever since the first oil shock of 1973, a cloud of "managed" money has been drifting around the world, first showering riches and then unleashing economic squalls wherever it happened to descend.

The cloud first wafted from the Middle East to the international banks in New York and London and from there lo Latin America. These days, the cloud forms above the industrial centres of Japan and carries money across the Pacific to the U.S. Treasury in Washington, casting its shadow over most of U.S. industry as it passes.

Nations which have more money than they know what to do with, place it in international financial markets. This kind of financial investment does not have any automatic link with real productive investment, particularly when the markets concerned interpose ever greater numbers of layers in the form of options, futures and currency swaps, between the ultimate suppliers and users of funds.

The savers in Saudi Arabia or Japan become so remote from the borrowers in Brazil or Atlanta, that there is no reason to suppose that anything in the way of productive assets will be created with which to pay back the saver.

Back in 1973, when people had less faith than they do today in the perfect omniscience of financial markets, this problem was at least discussed. "Recycling petrodollars" was correctly perceived as the central economic challenge posed by the oil crisis and by a combination of luck and judgement. Nations belonging to the Organisation of Petroleum Exporting Countries were persuaded to deploy their new-found wealth in a reasonably helpful manner.

Between 1974 and 1976, Opec put 35 per cent of its surpluses into special bilateral and multilateral loans to oil-importing countries and placed a further 51 per cent in government securities and bank deposits. About two-thirds of this money was on-lenl lo finance current account deficits in industrialised countries, with about one-third left over for the Third World.

When Opec came back for more in 1979, however, the world decided to leave the whole responsibility for recycling to market forces in the international banking system. In fact, industrialised countries deliberately adopted perverse macroeconomic policies designed to prevent their current account deficits from rising to accommodate Opec's surpluses.

As a result, the Third World was left to borrow two-thirds of the oil windfalls through the international banks: non-oil developing countries increased their annual deficits by \$44hn (£31.5bn) between 1977-78 and 1979-81, while Opec's surplus increased by \$51bn.

In 1982, of course, the crisis in Mexico and Argentina suddenly hlew the money cloud away from Latin America and showered temporary blessings on the U.S. Government and its consumers as the U.S. banks channelled massive capilal inflows intn dollars. The strong dollar and record U.S. growth soon channelled much nf the surplus money into Japan's current account.

The strong dollar tempted Washington to go nn spending and before long the money cloud was hanging over Tokyo in the form of an unprecedented current account surplus.

In the next few years, the Japanese current account surplus will present a problem of recycling as serious as the Opec surpluses of the 1970s.

The stampede of Japanese investment institutions into dollar securities on the false prospectus of a supply side revolution in the U.S. economy was only a temporary solution. In the end, unless the leaders of the industrialised countries face up to the need for a truly global macroeconomic policy, financial markets alone can shift the problems created by current account imbalances from one part of the world to another but they do not seem capable of solving them.

Letters to the Editor

Learn another language

From the Chairman of the Franco-British Council (British Section)

Sir,—Mr David Lascelles's plea in your issue of July 12 for louder English as the best way of communicating with foreigners was perhaps not meant entirely seriously. I certainly hope not. All the same it represented a point of view not unusual, at least in some business circles, hut which I believe to be profoundly misguided and Indeed dangerous.

Of course it is true that English is now the most usual second language, just as Latin and then French used to be, and that much of the world's commerce is conducted in English. It is also true thal the teaching of foreign languages in Britain is in decline, largely, in my view, due to the fact that even our oldest universities now no longer require competence in another language in order to qualify for entry and that business attaches little importance to liguistio ability. It is absurd to equate knowledge of foreign languages with scientific or atheletic ability. After all, even quile uneducated and stupid foreigners somehow learn their own languages, after a fashion at least and although the Tower of Babel had no divine blessing, its results are everywhere apparent.

Why should the British ha uniquely privileged to ignore them? Who can doubt that someone who knows the language of a country is better placed for doing business in it than one who does not? Without some knowledge of a person's native language and consequent understanding of his culture Il is easy to misunderstand what he means even if he is himself speaking English.

To focus just on the situation near at hand, Britain is now a member of the European Community in which we are a quite small minority but in whose development our major commercial and political interests must reside. Of course the European market with all its challenge and opportunity would still exist even if we were not members of the Community. In fact, few people now deny the need to encourage greater European unity and most accept that language differences are a handicap to progress.

It is my belief that many of our mucb publicised arguments with our European partners stem from our own failure to make the necessary major effect, including study of languages, to adapt ourselves to our European destiny. For example, I wish that the Ministers of Education in the Community could agree that all university students should spend at least a term in a university of another Common Market country. Such a rule would transform language teaching in Britain: it would also be a major step towards creating a truly European intelligentsia.

We all laugh when in Pygmalion Dr Doolittle plaintively enquires why women cannot be more like men. Let us not adopt the same ridiculous ettitude where forelgners are concerned, but on the contrary try barder to learn at least the main European languages and acquire therehy a better ability to communicate, to understand — and to sell. Political, cultural and commercial arguments all lead inexorably to this conclusion.

Sir Philip de Zulueta.
6, John Street,
London, WC1N 2ES.

The bureaucratic British

From David M. Fifield, Sloan Fellow (LBS).

Sir,—I would like to expand on Professor Forrester's report referred to by Michael Dixon on July 15 that many British companies remain too bureaucratie to be a fitting environment for business graduates. The American business culture is more task-orientated and responsive to conceptual thinking than that of the British, which is role-orientated and fact-following.

It is not surprising, therefore, that the American culture has developed and can use MBAs with their broad education while the British prefer lo attacb specific labels to individuals according to their training and experience. However, the British culture shows signs of changing, so MBAs might yet have their day on this side of the Atlantic.

Oaklands,
Weston Underwood,
Olney, Bucks,
MK46 5JS.

EEC sugar prices

From the deputy director-general, Food Manufacturers' Federation

Sir,—We would like to add our support to the sentiments expressed hy Mr Hamish McDonald in his letter (July 10) about EEC sugar prices.

The idea has been studiously put about by the anthorities in Brussels that the EEC's sugar regime is a model of agricultural market management because it is "self-financing."

Not only is this misleading in the sense that the consumer is paying for the extravagance of a regime which gives a guaranteed price for surplus production, year after year: it is also dangerous in that it tends to make people think the regime does not bave to be accountable to market realities.

When the EEC Commission comes forward with its review proposals for sugar in a few months' time, it should take the opportunity to impose greater reality hy:

(a) changing the basis of the regime so that it becomes a price-managed regime rather than a quota-managed regime;

(b) ending the practice of using the storage levy scheme to pay for carryover stocks of surplus sugar;

(c) abolishing the UK regional deficit premium (we are no longer in deficit in white sugar).

H. B. Williams,
6, Catherine Street, WC2.

Logic of the CAP

From Mr A. W. Tucker, Director of Westlake Foods

Sir,—I need help. I used to have problems understanding the logic of the CAP and I now find it even harder to grasp. Years ago studies were showing that the net cost of direct income support was actually very close to price support, the difference being only the method of collection. The argument was made (and is) that farmers did not want handouts but wanted reasonable prices to secure a reasonable income.

I would like to know why wa cannot have direct income support by member countries at an agreed level with the maintainence of MCA's. Prices would be reduced, surpluses could be sold without third country subsidy and the ridiculous administrative and finance charges would be reduced considerably.

If anybody thinks that EEC countries are not pursuing nationalistic interests at present, look at the subsidised loans currently on offer to third countries to help their meat exporters in France and Ireland to sell in these markets. A common market could be maintained without the need for quotas and other superficial instruments. But then of course, the CAP would be financed from the laxpayer instead of the food buyer and that would never do . . . As we say in the meat trade—England for the British and Europe for the French.

Andy Tucker
Westminster Buildings,
Theatre Square,
Nottingham.

U.S. role in export growth of other nations

From the director of forecasting Business International

Sir,—Much nonsense is being talked about what Anatole Kaletsky (June 26) calls "America's role in generating the export-led growth of other countries . . ." Unfortunately, by reporting without criticism a study by Data Resources (DRI), Mr Kaletsky lends credence to the sadly fashionable view that "the U.S. market has accounted for the *whole* of the growth of exports in 1984 from Germany, Italy, Belgium . . ." As yet, I have not seen the DRI study, hut I can assure you that the stalement is highly misleading or plain false, depending on its interpretation.

This is not to say that DRI has gots its sums wrong. The prohlem is actually an intriguing one of differing perceptions. For if the discussion is conducted in terms of U.S. dollars, then the fashionable view can appear to he correct. In the table, the left-hand column gives the value increase in dollars of German exports between 1983 and 1984 (source: OECD Statistics of Foreign Trade). On these figures, the increase in German exports to the U.S. last year was actually greater than the increase in total German exports. However, consider the figures in the right hand column. These are for the changes in value of German exports in Deutsche mark terms (source: the Monthly Report of the Bundesbank). On the Bundesbank figures, the increase in German exports to the U.S. was merely one quarter of the total increase and less than half the increase in German exports to Western Europe.

German Exports 1983-84.
(increase in value)

	\$ bn	DM bn
Total	2.3	55.9
To U.S.	3.6	14.0
To Europe	0.8	35.4
To Opec	−2.6	−3.6

Two points need to be made. First, the figures in dollar terms embody large distortions because of the marked rise of the dollar against the EMS currencies. In particular, they misrepresent the rise in German exports to Western Europe. Second, the DM figures, though in value terms, give a far better idea of the volume changes (in DM terms, German export prices rose only 3.4 per cent last year) and so give a much fairer picture of the actual stimulus received by Germany's economy from its trade partners. Of course, the U.S. role has been a real one bul its relative significance has been greatly exaggerated.

Ian Riley.
Banda House, Cambridge Grove, W6.

FINANCIAL TIMES

Monday July 22 1985

Terry Byland on Wall Street

Banks on the crest of a wave

THE BATCH of second quarter results from the U.S. money centre banks has confirmed them in their restored role as Wall Street's favourite sons – with the notable exception of BankAmerica, whose parentage is, perhaps, less widely claimed.

Overall, the results announced over the past fortnight were "truly outstanding," says Mr Thomas Hanley, bank analyst at Salomon Brothers. Gains in net earnings ranged from 20 per cent to 45 per cent at Citicorp, Chase Manhattan, Chemical NY, Bankers Trust and J. P. Morgan.

The stocks have strongly outperformed the rest of the market since the final quarter of last year, as falling inflation and interest rates have boosted the financial sector. Stock prices have, not unnaturally, hung fire during the results season. Investors and brokerage analysts are now assessing the prospects for stock prices for the coming six months.

The second quarter figures offer some guide for the rest of the year. But the major Wall Street firms are not changing their predictions for the full 12 months, which are for a gain of around 17 per cent in earnings. Such forecasts indicate the degree to which the profit recovery is based on severely depressed 1984 figures.

Declining interest rates are the factor most quoted by the banks for their good fortune in the second

BANK	2Q NET	CHANGE %
Citicorp	251m	+ 22
BankAmerica	(338m)	−408
Chase Manhat.	130.8m	+ 45
Manufact. H.	98.5m	+ 33.6
J. P. Morgan	157.4m	+ 51.8
Chemical NY	107.3m	+ 39.7
Bankers Trust	87.2m	+ 21

quarter. U.S. consumers have continued to spend heavily, boosting their bank accounts with readily available bank credit.

Earnings benefited over the past six months from plunging rates in the money markets during a period when banks were able to keep rates high on consumer loans.

Also significant for bank profits have been the gains in prices of U.S. federal bonds, which figure strongly in bank portfolios. Chemical NY earned $69.6m from sales of securities, $3m more than in the comparable period, while Citicorp turned a loss of $5m in securities trading into a profit of $4m.

Similary, foreign exchange trading has been very profitable for the money-centre banks since the U.S. dollar has been the subject of persistent speculation. Income from such sources jumped by 95 per cent at Chemical, while J. P. Morgan turned a loss of $13m into a profit of $45.6m.

Mr Hanley believes major bank stocks are still cheap compared with industrial stocks. Price/earnings ratios on bank stocks are only about 60 per cent of that on the Standard & Poor's 500 index, based on 1986 profit forecasts. Salomon Bros expects that gap to narrow to put bank p/e ratios at 70 per cent to 80 per cent of the S & P ratio over the six months.

However, there is another side to the banking results. The banks pleased the federal regulators with their readiness to curb earnings by increasing loan loss provisions. Chase, Banker's Trust and Chemical applied nearly as much of their increased operating profit for the second quarter to loan provisions as they did to earnings.

Yet Mr Mark Biderman of Oppenheimer notes that stock in J. P. Morgan weakened on the disclosure that loss provisions jumped from $30m to $90m between the first and second quarters. Oppenheimer regards the increased provisions as a positive factor, but the stock market sees them as a warning of higher loan losses ahead.

Nor cen the shocks at BankAmerica, until a few years ago the largest bank in the U.S., be ignored by the rest of the industry. It cannot be the only U.S. bank struggling with the effects of "disinflation, dollar volatility, the uneven (U.S.) recovery," to quote Mr Sam Armacost, BankAmerica's chief executive.

Bank earnings could be held back in the second half if further increases in loss provisions are required. A slowdown in the U.S. economy could mean problems for the bankers' loans to the farming, manufacturing and mortgage sectors.

Also, over the entire profits outlook loom the Latin American debts, which were consigned backstage in the second quarter but will continue to haunt the industry. Responding to the federal regulators, the banks refrained from booking the delinquent interest payments from Argentina to second quarter profits. But overseas debt problems will return, and they could catch the bank stocks in less favourable circumstances

Richard Evans reports on city life near Iraq's war front

Morale under siege in Basra

THE SOUTHERN Iraqi port of Basra is a city under siege. Along the pavements, high walls of sandbags, many shredded with shrapnel, have been constructed to offer pedestrians and shop windows n degree of protection in case of unexpected attack. In the background there is the sound of heavy artillery from the front, 15 miles away on the Iranian border.

Once n boom town and Iraq's premier port, the city is now in suspended animation awaiting the next Iranian attack and maintaining as normal a life as it can.

Basra is the prize the Iranians are desperate to claim as the war with Iraq approaches its fifth anniversary and appears more bogged down in stalemate than ever. Its capture would throw into confusion and probably topple the regime of President Saddam Hussein. The Iraqis are therefore determined to defend it at any cost.

The 600-mile drive from Baghdad to Basra reveals a country fully mobilised for war. The road south of Amara passes close to the Iraq-Iran border and hundreds of anti-aircraft and anti-tank gun emplacements are perched cn earth mounds.

In a costly offensive through the Hawizah Marshes north of Basra in March, Iran sought to outflank the formidable Iraqi defensive wall. They succeeded briefly in cutting the vital road link with Baghdad, near tha confluence of the Tigris and Euphrates rivers, but were soon pushed back to the border.

Since then, substantial improvements have been made to the Iraqi defences with the building of a 15 mile earth wall stretching between Amara and Basra, topped with numerous gun emplacements and tank ramps. Some of the marshes have also been flooded to make the scrubland more difficult for Iranian armour to penetrate.

What tha Iraqis can do nothing about, though, is the constant threat of artillery bombardment on Basra. Keeping the city alive as it suffers frequent random shelling has taken on tha highest political significance, and a constant stream of supply trucks makes the journey from Baghdad in an effort to maintain as normal a life as possible.

The authorities' tactic is to persuade the population that the war of attrition with Iran – with them in the front line – is wholly worthwhile.

Tha role of civilians as war heroes is emphasised and casualties are referred to always as martyrs. In the Museum of the Martyrs of Persian Aggressive Shelling in the city centre, personal effects and photographs of many of the 600 who have died in the five years of shelling are displayed.

The tactic has succeeded remarkably well. Prestige hotels such as the Basra Sheraton remain open despite a low occupancy rate and a bar sandbagged inside and out. Most shops remain in business, however curtailed trade might be.

Fawzi Rashid Abdullah, the civilian governor of Basra, claims that no schools, bospitals, factories or government buildings have closed because of the bombardments, which on occasion have exceeded 800 shells a day.

Officially about 1m people still live in Basra and the authorities insist that no one has fled. The name of the game is to maintain morale as in the London blitz. Yet empty houses can be seen everywhere, many with shell or shrapnel damage, and there is no prospect of a normal commercial life until the war is over.

At present the stalemate seems to be more entrenched than ever. Iran appears to retain the will to continue the religious and political war but lacks the capacity to achieve victory. Iraq has no broadly defined objective other than peace but is unable to use its military advantage to force the Ayatollah Khomeini to the negotiating table.

Foreign ministers face renewed rift on EEC treaty amendments

BY QUENTIN PEEL IN BRUSSELS

EEC Foreign Ministers must today try to patch up the rift in the Community which opened at last month's Milan summit, when Britain, Denmark and Greece were outvoted by the other seven members on the question of holding a full-scale conference to amend the Treaty of Rome.

All the key questions which split the summit, including ways of speeding up decision-making in the Community, on limiting the powers of national veto, and on extending the role of the European Parliament and the European Commission are once again on the agenda for the Foreign Ministers' meeting in Brussels.

Although the fact that a conference is expected to open in mid-September now seems to be accepted, tha agenda and any consensus on the way it should progress are still in dispute.

Both Denmark and Greece remain strongly opposed to any amendments to the Treaty of Rome, the founding document of the Community, which puts tha unanimous agreement that will be required in September in grave doubt.

On the other hand, Mrs Margaret Thatcher, the British Prime Minister, has refused to rule out any treaty amendments, while making it clear that she doubts whether any clear conclusion can be reached.

The widest agreement on the need for a treaty change concerns Article 100, which lays down that any decision on removing legal barriers to a genuine common market must be unanimous; most member states agree that many more decisions on such questions could be taken by qualified majority voting. Where they affect direct taxation measures, however, few countries would want to change the unanimity rule.

The Foreign Ministers will also be asked to agree on immediate changes in their procedures as proposed by Britain to speed up decision making without formal treaty amendment. These were dropped at the Milan summit after the row over the decision to call a conference.

The moves include a political agreement to enforce more majority voting and to use abstention where unanimity is required.

Editorial comment, Page 12

UK presses Brussels to relax curbs on business

By John Lloyd, Industrial Editor, in Brussels

THE BRITISH Government is pressing its European partners to agree to sweeping changes to European Commission legislation, both present and proposed, to reduce "burdens on business."

A document now before the heads of the main EEC directorates from the UK representation to the Community seeks to build on "a new impulse in member states to reduce burdens imposed by domestic legislation" by modifying or entirely dropping rules and directives in the areas of health and safety, employment, consumer and environmental protection and transport.

It follows a plea for deregulation in the EEC made by Mrs Margaret Thatcher, the UK Prime Minister, at the European Council in March and is designed to influence the Commission's draft on deregulation which will come before the Luxembourg council in December.

It is in line with a white paper (policy document) on deregulation presented last week by Lord Young, Minister without Portfolio, and is primarily aimed at cutting back on the legal requirements on small and medium-sized enterprises, with the object of creating more jobs. It is likely, however, to provoke strong opposition from tha European trade unions

The document lists present and proposed measures which, in the UK Government view, constitute a burden on business. The most important section is that on the proposed legislation, because it is recognised in Brussels that agreement to prune proposed legislation is much more likely than agreement to drop existing rules already adopted as domestic legislation in the member states.

British officials believe that the proposals will attract West German and Dutch support, with other countries presently undecided.

The document proposes to:

- Improve conditions for part-time workers, and put their pay and benefits on the same basis as full-time workers;
- Entitle men and women to parental leave and leave for family reasons;
- Control the misuse of temporary labour, extending much the same protection to temporary as to full-time workers;
- To ensure equal treatment for men and women in self employed occupations;
- Inform and consult employees in large companies on major decisions (Vredling directive); and
- Provide for worker participation at board level (Fifth directive).

In each case, the document recommends scrapping the proposals largely on the grounds thet it increases employers' costs, thus reducing competitiveness and potential for jobs.

E. German borrowing soars this year

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

FIGURES published by the Bank for International Settlements (BIS) today suggest an answer to one of the great Euromarket mysteries of 1985 – namely the sudden upsurge of borrowing by East Germany.

They show that East Germany, which has raised $1.1bn on the Eurocredit market this year compared with $563m in the whole of 1984, started 1985 with a heavy concentration of short-term borrowing in its international debt profile. Of $8.48bn owed to Western banks at the end of last year, no less than $3.76 or 44 per cent was due within 12 months.

Although they receive very little direct information on the purpose behind East German borrowing, Western bankers now believe that one reason could be the need for protection against excessive reliance on the short-term market. "They are replacing short-term debt with long-term debt," says Mr Jan Vanous, a Washington-based economist.

Mr Vanous stresses that this does not imply any suggestion of forced rescheduling – East Germany's reserves with Western banks at the end of last year were a comfortable $4.5bn – but given the favourable rates now available it makes sense to improve the maturity structure of its foreign debt.

This is all the more the case in that many bankers believe East Germany is poised to begin substantial imports of plant and technology from the West under its five year plan starting next year. That would necessitate a rundown of reserves or a further build-up of foreign debt, either of which could be risky while the short-term debt component remains very high.

The BIS published the figures for East Germany as part of its regular six-monthly review of the maturity distribution of international bank lending. The figures also show a predictable fall in undisbursed credit commitments by banks to non-oil exporting developing countries. These dropped by $6bn to $35.4bn in the second half of last year which "reflects banks' reluctance to lend to many countries in this group," the BIS said.

There was also a $4bn decline to $29.4bn in unused commitments to smaller developed countries

Euromarkets, Page 15

UK and Ireland close to agreement on Ulster

Continued from Page 1

based on the principle of acceptability to both communities in the north, which would necessarily involve powersharing.

The most thorny area still to be resolved centres, inevitably, on security and justice, where the following measures are still being negotiated:

- Linkage between the judicial systems of north and south in which a southern judge would sit with two northern judges in the north, or a northern judge with two southern judges in the south, in terrorist trials.
- Reform of the Ulster Defence Regiment, including more training, phasing out of part-timers and more stringent vetting of recruits.
- Harmonisation of methods of police accountability with some reforms in the northern police authority.
- Improvements in policing methods, particularly in areas heavily dominated by one or other community.

The British Government believes these are all long-term issues which should be resolved gradually by negotiation and should not form part of an agreement with the Irish Government. Dublin is pressing for radical – and visible – changes which it wants included in the agreement.

Underwriting the whole package is a pledge from President Reagan to set up n fund – the figure of $500m has been suggested – for aid to both parts of Ireland, together with substantial incentives for U.S. companies investing in the Republic or in Ulster. Substantial aid is also expected from the EEC.

Franco-German defence policy

Continued from Page 1

An important factor encouraging the French Government to strengthen its defence ties with West Germany is the hope of sharing the increasingly heavy burden of equipment costs – from a military observation satellite to the proposed European fighter aircraft with the West Germans. France's partners in the European fighter project are particularly nervous that President Mitterrand will find political blandishments to woo Chancellor Kohl into supporting the French concept of the plan, which his defence ministry has rejected.

President Mitterrand also has immediate domestic political reasons for seeking closer militiary ties with West Germany. His Government is expected to come under heavy attack from the opposition in the autumn over expenditure cuts in the defence budget.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	29	84	Malaga	S	28	82	Salzburg	R	13	55
Algarve	S	29	84	Faro	S	27	81	Malta	C	33	91	Seoul	S	30	86
Algiers	F	28	84	Florence	S	31	88	Manila	S	34	93	Singapore	S	27	81
Amsterdam	S	17	63	Frankfurt	R	17	63	Miami	F	25	77	Stockholm	C	18	64
Athens	S	35	95	Funchal	F	22	72	Milan	S	31	88	Strasbourg	F	21	70
Bahrain	S	36	97	Geneva	S	21	70	Moscow	F	25	77	Sydney	C	15	59
Bangkok	S	33	91	Gibraltar	C	25	77	Munich	S	15	59	Taipei	S	33	91
Barcelona	C	24	75	Guernsey	C	16	61	Nairobi	—	—	—	Tangier	—	—	—
Beirut	S	28	84	Helsinki	S	17	63	Naples	F	28	82	Tehran	—	—	—
Belgrade	F	25	77	H. Kong	S	32	90	New Delhi	F	30	86	Tel Aviv	S	31	88
Berlin	F	15	59	Innsbruck	F	19	66	New York	S	26	79	Tenerife	—	—	—
Biarritz	F	22	72	Inverness	C	15	59	Nice	S	28	82	Tokyo	C	31	88
Blackpool	F	16	61	Istanbul	S	30	86	Oporto	S	28	82	Toronto	F	17	63
Bordeaux	F	23	73	Jersey	F	17	63	Oslo	T	18	64	Tunis	—	—	—
Brussels	F	18	64	Jo'burg	—	—	—	Paris	C	19	66	Valencia	C	29	84
Budapest	C	19	66	Las Palmas	S	25	77	Prague	F	16	61	Venice	S	26	79
B. Aires	F	18	64	Lima	F	18	65	Reykjavik	S	7	45	Vienna	F	20	68
Cairo	S	34	93	Lisbon	S	27	81	Rio de J'o	S	26	79	Warsaw	R	15	59
Cape Town	F	17	63	Locarno	S	27	81	Rome	S	30	86	Zurich	F	19	66
Caracas	S	28	82	London	F	15	59								
Casablanca	—	—	—	Los Angeles	F	19	66								
Copenhagen	S	18	64	Luxembourg	F	16	61								
Corfu	S	32	90	Madrid	S	31	88								
Dublin	R	16	61	Majorca	S	29	84								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Italian lira devalued

Continued from Page 1

EMS realignment "allows the Italian economy a margin of space to reabsorb losses of competitiveness which would not have been corrected by mere domestic economic measures."

Dr Tietmayer stressed on Saturday that the new economic measures, which could well be diluted in parliamentary debate, are to be "closely observed by Italy's EMS partners. They aim to raise extra revenue of L5,400bn through measures which in many cases reflect simply a speeding up of social security contributions by employers, or of advance payments by citizens already taking advantage of an amnesty on illegal construction. There are also L866bn of spending cuts.

Friday's turmoil in the foreign exchange markets bas caused immense embarrassment in Rome, and Prime Minister Craxi has called for a full investigation of apparently botched lines of communication between the Bank of Italy and ENI, the state energy group.

The currency crisis was seemingly precipitated by ENI acquiring $125m on the Milan market. This put immense pressure on the lira without, according to Sig Goria, ENI baving any urgent need for the dollars.

THE LEX COLUMN

Creepers on the Chinese Wall

The most feared individual in the multi-capacity City institution of the future will not be the chairman or the personnel manager but the compliance officer. A familiar figure on Wall Street, this pillar of rectitude will be expected to ensure that conflicts of interest within diversified financial groups are not exploited to the detriment of clients, or anyone else for that matter. At the moment, it is not much of a job. The City of London and its watchdogs are still undecided about the rules with which the compliance officer will make everyone comply.

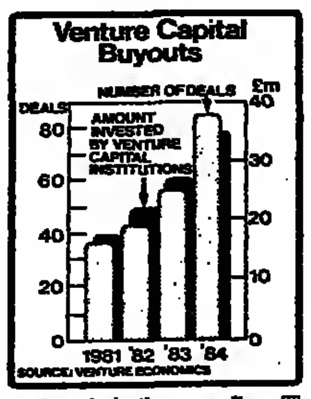
There is sharp division not only about where the balance should be struck between self-policing and external regulation but also about the approach that should be taken towards the creation of a rulebook. Those who believe that hard and fast rules are impossible to apply in a rapidly evolving market are neatly matched by those who argue that it is in a rapidly evolving market that you most need the rules.

The City will presumably chart its usual middle way between these two positions. Since existing conflicts of interest will be greatly augmented by the creation of a principal's function in most large firms, new rules will need to be drafted and enforced. But, those firms argua, undue emphasis on the internal separation of capacity would negate the whole purpose of financial mergers and be unworkable to boot.

The defence of the broad status quo rests on the legitimate presumption that the breach of Chinese Walls would, once discovered, be damaging to client confidence and so against the firm's commercial self-interest. This may be true in some areas. If a research department is perceived to be a servant of a corporate finance department, the research product will rapidly lose its credibility.

Some obvious safeguards can, and almost certainly will, be introduced. A research document should disclose whether the firm has acted in an advisory capacity to the company and whether it has made a market in the company's securities. In that instance, the rough size of the firm's current position should be disclosed. But, for the most part, the strength of the wall between investment research and corporate finance can be left to the market to judge.

In other areas, the threat of a loss of client confidence may be a powerful but insufficient deterrent. Market-makers, for example, simply cannot be relied upon to act independently of corporate finance



departments in the same firm. The stock exchange would evidently monitor the positions of n market-maker in cases where conflicts of interest arise, but it could never guarantee that n market-maker's book was not shaped to suit the related corporate finance department during take-over. However awkward it may be for the market-maker to stop trading during a takeover, a dealings ban may be the only answer.

Fund management presents the trickiest problem of all. The potential conflicts of interest are so numerous and so glaring that association with a larger group may damage the fund manager's credibility even if every rule is strictly adhered to. The big firms are arguing strongly that their investment management divisions should be allowed to continue dealing in securities which are subject to a takeover in which their corporate finance departments are involved.

But, even if that concession is granted, fund managers will need to report all their dealings in the relevant securities. And the fact thet they are dealing at all may arouse suspicion. Similarly, a discretionary client landed with shares provided either by the market-maker or the new issue department of the same firm may complain about sharp practice for no other reason than that the stock price has fallen.

So long as Chinese Walls are not breached, association with a diversified firm may not add much value to a fund management business. And respect for those walls could easily have the opposite effect. The Government has decided, for the time being, that investment management should be permitted to remain under the umbrella of the multi-service firm. In the end, however, it may be commercial rather than regulatory pressure which could drive the business into independent hands.

Dealers may come, and go, at ever increasing transfer fees. But however fragile the goodwill upon which the large triple-capacity firms may have been founded, it would be foolish to suppose that they will fall apart under the strain – commercial or moral. The three-way conflict of principle has been resolved, after a fashion, in other markets. It has been achieved through disclosure, visibility and that quaint old City virtue, probity.

Buyout plan

If the plans of Electra and Candover have anything to do with it, leveraged buyouts in the UK are just about to move up a gear or two. It may be some time before Electra Candover does battle the likes of T. Boone Pickens, or tries to buy anything remotely the size of Gulf Oil, but the scheme to raise £300m for use in UK buyouts certainly raises the stakes.

Of course, the mere existence of a large stand-by facility – which should mean that large deals can in future be executed without tedious consortium building – can itself be expected to stimulate the demand side of the market. As the recent Haden deal demonstrated, a buyout can be the best of takeover defences, if there is time to arrange it. When Haden's management was trying to avoid being absorbed by Trafalgar House, institutional backing for a buyout was an attractive substitute for an alternative bidder. The role of white knight is one that Electra Candover thinks it might profitably cultivate.

In a more relaxed tempo, the move towards corporate steamlining in really large groups can make even businesses of some size appear peripheral. BAT's packaging subsidiary, Mardon, is just the sort of substantial company – not too urgently up for sale – that this scheme could for the first time bring within range of UK buyout financing.

The way that the scheme is being structured should make it accessible to institutions that need to hold their investments directly. The idea is that Electra Candover will be given discretion to make investments and call down funds (pro rata to the original commitments of the participants) but that the subscribers will have full control of their investments once made. Given that there is a fair amount of interest from U.S. investors, who know the form and are attracted by the chance to trawl an under-fished market, attracting funds should be no problem. First time round, anyhow.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday July 22 1985

France spells out renegotiation terms for $4bn credit

BY PETER MONTAGNON IN LONDON

FRANCE has finally taken the plunge and announced terms under which it is to renegotiate the $4bn credit raised in 1983 at the height of pressure on the franc.

On Friday Société Générale, the *original agent, was mandated for* the renegotiation, which involves both a reduction in margins and fees, although the original maturity of 1992 has been retained. The move has been expected for some time, although it was held up while France arranged a similar refinancing of borrowing arranged through the EEC at the same time.

Under the new deal, France is to repay $400m ahead of schedule, leaving a term loan of $1.26bn and a standby credit of $2.34bn still in place. Both those loans currently have a margin of ½ per cent over Eurocurrency rates, but in the case of the standby it is to be reduced to ¼ per cent and of the term loan to ⅜ per cent for four years falling to 5/16 per cent thereafter.

The commitment fee on the standby credit is to be cut from ¼ point to 1/16 for the next four years and to 10 basis points thereafter. There is to be a renegotiation fee of 10 basis points.

Bankers say that those terms are very fine, but in the light of current market conditions seem pitched about right. Smaller deals for Danish and Italian borrowers have come to the market on similar terms recently, indicating a willingness of banks to do business at such levels.

Moreover a fall-back exists for France if some banks already in the *deal do drop out. That might happen*, for example, if Middle East banks which have trouble funding very low margin credits decide not to accept the new terms. In that circumstance, France could always increase the Japanese share of the deal, which is currently 33 per cent.

This year, restrictions on the share Japanese banks may take of any single syndicated loan have been lifted. Many bankers also believe that Japanese banks are now saturated with floating-rate notes and Euronote facilities and looking for more credit business.

Also the growing resignation of *the banking industry to low credit* margins is demonstrated by another of last week's new credits, a $200m, eight-year deal for the Soviet Union. It bears a margin of ⅛ per cent throughout – the finest terms yet accorded to a Comecon borrower.

Moreover, the deal is believed to be the first for several years to include a U.S. lead manager, in the form of First Chicago, which is to be agent. Other lead managers are Arab Bank, Banque Indosuez, Dresdner, Fuji, Industrial Bank of Japan (Germany), Kansallis-Osake-Pankki and Sanwa International.

Elsewhere, the flow of Euronote facilities from UK borrowers continues with a $150m, eight-year deal for United Biscuits led by Morgan Grenfell. The facility incorporates an option for the borrower to arrange interest-rate swaps through a tender panel as well as drawings in the form of dollar Euronotes, short-term multicurrency advances and sterling acceptances. It carries an annual fee of ⅛ per cent for the first four years rising to 15 basis points thereafter. Drawings on the associated revolving credit will bear interest at a margin of ¼ per cent for four years rising to ⅜ per cent.

Land Rover-Leyland's sterling acceptance facility has been increased by £50m to £150m, while in the Far East Korea Exim Bank is arranging a $150m, *five-year note issuance facility* through BT Asia.

It carries a ⅛ per cent fee and a ⅛ per cent maximum margin. Participants will obtain an extra yield through an unusual feature providing for the difference between the selling yield on the notes and the maximum margin to be split equally between the borrower and underwriters.

INTERNATIONAL BONDS

Texaco cashes in on the slide

BY MAGGIE URRY IN LONDON

LAST WEEK demonstrated, if anyone needed reminding, that money can be lost with amazing rapidity in the Eurobond market. Between Wednesday and Friday a group of eleven new issue houses, led by Credit Suisse First Boston had lost – on paper – $9m. Sadly, making money usually takes a little longer.

Texaco, the U.S. oil major, is the lucky borrower which effectively gets the benefit of these losses, by tying up a $300m bond issue on what now look like ludicrously cheap terms.

Back in April, Texaco joined in a rush of bond issues which followed a sharp downward revision of the U.S. first-quarter gross national product figure. That revision set the market racing and Texaco was able to get tight terms on a deal led by *Union Bank of Switzerland (Securities)*.

Last week the second-quarter GNP figure was to be revised on Thursday and analysts expected another downward move. This time Texaco came to *the market ahead* of the figure's release and chose its more traditional bank CSFB to lead the deal. The terms were again aggressive, but if the market had roared ahead the issue would have succeeded. And CSFB could have re-established the relationship without losing money.

But everything went wrong. The figures leaked out early and then Mr Paul Volcker, chairman of the U.S. Federal Reserve, upset the bond markets with a strong hint that U.S. interest rates will not be coming down. The New York bond market fell heavily, and Texaco's issue slumped. By Friday it was bid at a five point discount, to its 98¾ issue price, and the fees total 2 points.

"If you want to take a view on the Treasury market, buy Treasuries, not a mis-priced Eurobond issue," observed one banker last week. If the market goes up the Treasury bonds will perform better than the Eurobond. If the market falls the Eurobond will fall further.

Another was more sympathetic: "We're in a risk business. They made a judgment, they got it wrong."

The lesson was not to be learned quickly enough, however, for another deal last week, launched on Thursday morning for Trafalgar House. This too was caught in the market's slide and finished on Friday trading at a 4 points discount to its par issue price.

With the Eurodollar market in such a nervous mood, few syndicate managers were looking forward to launching more issues this week.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	4,959.1	160.5	2,495.0	74.4
Prev	4,145.9	367.2	8,668.2	34.8
Other	646.2	0.1	590.9	11.9
Prev	404.2	0.2	3.1	63.3
Secondary Market				
U.S.$	20,634.6	1,149.4	11,409.5	1,498.1
Prev	17,867.4	1,034.4	11,979.5	1,218.1
Other	4,514.7	78.0	962.6	1,592.7
Prev	4,433.8	65.0	345.2	1,746.5

	Cedel	Euroclear	Total
U.S.$	12,809.6	29,561.9	42,371.5
Prev	13,905.6	31,409.8	45,315.4
Other	4,252.4	4,144.7	8,397.1
Prev	3,984.5	3,076.7	7,061.2

Week to July 18 1985 — Source: AIBD

The floating rate note market was also twitchy last week. One syndicate manager joked: "You could bring the Bank of England at a ¼ per cent over Libor (London interbank offered rate) and I'm not sure it would go."

Once again the Australian and New Zealand currencies were alive with the new bond issues last week. The market is beginning to look overloaded with paper and the distribution channels through the European continental banks to retail investors are getting clogged. Only the right name and the right coupon will sell now.

General Motors Acceptance Corp's issue, for instance, with a generous 12⅞ per cent coupon, was trading close to its 100⅝ issue price by the weekend. And the Ford issue, launched on Friday, made a respectable start.

Buyers for the Euroyen zero coupon issues – the latest novelty to come from the liberalisation of the market – seem even harder to find. Syndicate managers were afraid that their best hope was to hold the paper for six months until it can be sold back into Japan.

Both the D-Mark and the European currency unit bond markets have continued to improve as attention switches away from the dollar sector. The Swiss *franc foreign* bond market has been quieter, though on Friday SBC's pricing of the EIB issue at par rather than a discount shows that some bankers believe the market should rally.

● Deutsche Bank has appointed two new managing directors of Deutsche Bank Capital Markets in the wake of Mr Karl Miesel's resignation. The two – Dr Rolf Levedag and Mr Stanley Ross – were both previously executive directors.

Southern Life makes record issue on Johannesburg SE

BY JIM JONES IN JOHANNESBURG

THE Southern Life Association, South Africa's fourth largest life assurer, will today offer 23 per cent of its shares to the public for R162m ($85.6m) in the biggest initial public offering in the history of the Johannesburg Stock Exchange.

The offering represents one of the final stages in the polarisation of ownership of the country's private sector.

Southern is offering 38m shares to the public at R4.25 each. Of these shares, 26m will be preferentially allocated to policyholders, employees, agents and the pension fund of Barclays National Bank, one of Southern's major existing shareholders.

Southern was a mutual life office until April 1984 when it merged with Anglo American Life (Amlife), the life assurance arm of Anglo American Corporation (AAC) which, in turn, is South Africa's largest *mining, industrial and financial* conglomerate. Apart from some rationalisation benefits, the merger was widely seen as necessary to create an assurance group which was sufficiently large to compete effectively with Old Mutual and Sanlam, the first and second largest life offices. Following the present share issue, AAC will be Southern's largest shareholder, with 40 per cent of the equity. A further 30 per cent is expected to be held by Barclays National Bank, which paid R135m last year for its present interest.

Five major groups, AAC, Old Mutual, Sanlam, Liberty Life and Rembrandt, dominate the South African economy and control about four fifths of the country's non-agricultural private sector. They compete intensely to acquire assets and, with the exception of Rembrandt, place particular emphasis on generating strong life premium income cash flows, which can be deployed to acquire further assets.

Southern's premium income rose by 6.8 per cent to R563m in the financial year ended March 31, 1985 from R528m in the previous year. Investment income rose by 37.7 per cent to R362m from R263m and total net assets increased to R4.21bn from R3.47bn.

Southern's directors say that attributable *earnings are expected* to rise by 20 per cent to 29.2 cents a share during the current year and that the company's policy is to pay dividends equivalent to two thirds of income.

Southern says that this implies a total dividend of 19.5 cents a share in the current year and point out that at the 425 cents issue price Southern's shares yield a prospective 4.6 per cent.

National Intergroup cuts loss in quarter

BY CHRIS CAMERON-JONES IN NEW YORK

NATIONAL Intergroup, the U.S. steel and financial services concern, turned in a reduced second-quarter *loss compared with the first three* months. The net deficit at the company, where diversification away from steel has attracted corporate predators, was $12.3m or 80 cents a share, against $17.9m, in the opening quarter and a profit of $8.36m or 22 cents a year earlier.

The improvement on the preceding three months was due to record earnings by the financial services side and narrower losses on its 50 per cent share of National Steel, now half held by Nippon Kokan of Japan.

For the six months National Intergroup's loss reached $30.19m or $1.87 a share, compared with a $10.07m or 11 cents profit last time.

Mr Howard Love, chairman and chief executive, said that the steel company showed an operating profit in June and the National Aluminium offshoot is expected to be profitable in the second half.

Pressures on margins curb Lockheed growth

BY OUR NEW YORK STAFF

LOCKHEED, the California-based defence contractor, reported net profits 11.5 per cent ahead in the *second quarter and expects full*-year sales and earnings to continue to show good gains over 1984's record results. However, pressure on margins restrained the rate of earnings growth.

Net earnings for the quarter were up at $87m or $1.32 per share, from $78m or $1.21 per share, taking the half-time total to $171m, or $2.59, from $146m or $2.26 previously.

Sales in the latest quarter reached $2.21bn, up from $1.93bn, lifting the first half turnover to $4.35bn, from $3.52bn last time.

Mr Roy Anderson, chairman and chief executive, said margins were under pressure because of increased research and development spending and low margins on some foreign service contracts and U.S. government programmes.

The funded order backlog at June 30 stood at $8.3bn compared with $9.4bn six months earlier.

UPI move on union contract

UNITED Press International, the struggling U.S. newsagency, has filed an application in bankruptcy court to terminate its union contract, saying it must get wage and benefit cuts to help it find a buyer.

UPI, which has been operating under Chapter 11 of the U.S. Bankruptcy Code since April, took the issue to court after failing to win the concessions in negotiations with the Wire Service Guild.

The news agency said it expected revenues of between $93m and $95m this year, and without union concessions it would make a profit of between $500,000 and $1.8m. The concessions would add a further $1.5m to profits.

After the union talks broke down on Wednesday, Mr William Morrissey, president of the guild, said he believed it was premature for the news agency to abrogate the contract before it found an acceptable buyer. Reuter

U.S. MONEY AND CREDIT

Bears hold centre stage as Fed's intentions are re-assessed

U.S. BOND prices rode the rollercoaster of expectations last week and ended up on the down side as the implications of Fed chairman Mr Poul Volcker's Congressional statement sank home.

Mr Volcker's two days of Humphrey-Hawkins testimony threw the financial markets into turmoil. With the credit markets banging on his every word bond prices swung wildly.

The action began on Tuesday with short-term rates tumbling and the long bond gaining more than a point, partly in response to the pre-release of the Fed's half-yearly report to Congress. Among other things the report disclosed that the Fed had decided, as expected, to re-base M1, effectively sweeping excessive montary growth to date "under the carpet" and to widen the M1 target range for the rest of the year.

The Fed will now aim for M1 growth of between 3 and 8 per cent in the second half, starting with the second-quarter average as a base. The new target replaces the previous goal of 4 to 7 per cent M1 growth from the 1984 fourth quarter.

The markets initially read the change as a bullish signal, leoving room for further easing. The rally continoed through Wednesday, hut hegan to turn sour as the Fed chairman elaborated on the Fed'o views and made it increasingly clear that a further discount rate cut was not in the immediate offing.

But bond prices bounced back late on Wednesday after the revised second-quarter GNP figure was released showing a weaker than expected 1.7 per cent real rete of growth, compared with the 3.1 per cent flash estimate.

U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	7.88	7.85	7.10	11.77	7.10
Three-month Treasury bills	7.16	7.10	7.04	10.77	6.67
Six-month Treasury bills	7.27	7.19	7.22	10.83	6.81
Three-month prime CDs	7.75	7.65	7.60	11.68	7.33
30-day Commercial Paper	7.63	7.00	7.25	11.38	6.95
90-day Commercial Paper	7.63	7.45	7.30	11.25	7.00

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	101	−⅛	10.16	10.15	(new)
20-year Treasury	100⅝	−⅜	10.71	10.61	(new)
30-year Treasury	106¾	−⅜	10.50	10.44	10.57
New 10-year "A" Financial	n/a	−2⅛	11.13	10.75	11.00
New "AA" Long utility	n/a	−2¼	11.63	11.30	11.63
New "AA" Long industrial	n/a	−3	11.50	11.16	11.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended July 0 M1 rose by $200m to $596.2bn.

By Thursday, however, the bulls were in full retreat again as bond prices plunged by over two full points—more than wiping out earlier gains. Adding to the market gloom was the dollar's slide—raising fears of o foreign investor sell-off of dollar-denominated securities, an apparent break-down in Congressional hudget-cutting talks, and evidence of a slightly less accommodative Fed stance in its open market operations.

But the underliyng negative tone of the markets reflected a re-assessment of Mr Volcker's testimony and the Fed's intentions.

While deep divisions exist among senior Wall Street economists in their interpretation of the Fed chairman's comments, a consensus emerged thet bis basic message was that the monetary authorities are seeking to discourage, at least for the time being, any further declines in short-term rates.

Mr Volcker made lt clear that the Fed already considers that it has laid the foundations for an economic rebound in the second holf, as Dr Henry Kaufman of Salomon Brothers notes, the Fed now appears much less willing than previously to resist day-to-doy upward pressures on the Fed funds rate.

The Fed's generally accommodative stance was underlined by the M1 re-basing but, as Dr Kaufman says, "Mr Volcker emphasised that the higher target should not be interpreted as an easing in the Fed's anti-inflation stance. Rather, it is an adjustment to the very unusual relationship between money and the economy earlier this year.

"Indeed, the Committee is sensitive to the risk that the very recent spurt in M1 may ultimotely prove excessive. The Fed chairman mede it clear that the new target range implies e sharp deceleration in the growth of M1—a necessary development in view of the fact that M1 is about $7bn above the upper end of the ncw target range."

Economists also noted that the Fed's aggressive easing earlier this year was also intended in part at curbing the dollar. Now that the U.S. currency has declined hy obout 10 per cent from its first-quarter level, such a need is less pressing. Indeed Mr Volcker warned that the onus is now clearly on Congress to get the Federal budget deficit down.

For the credit markets there are other immediate negatives including a flood of upcoming new supply. On Wednesday the Treasury will auction $9.25bn of two-year notes to be followed by details of the upcoming $21bn quarterly refunding next week.

Against this there are some senior economists like Mr Philip Braverman of Briggs Schaedle who believe that the market sell-off is both overdone and will shortly be reversed.

For the moment, however, the hears appear to hold the centre otage in a confused market.

By the close on Friday, government bond prices were lower by between ½ and ¾ points and the Treasury long bond yields, at 10.5 per cent, is pack near the levels of late June.

In the corporate markets bond prices also sagged while new issue rates rose by between five and 25 basis points. Corporote new issue volume has settled down from the frenetic pace of the first six months of the year when an average of $6.2bn in new paper was hrought to morket each month. According to Salomon Brothers estimates, new issue volume in July is likely to be close-in or around $5.1bn.

Paul Taylor

UK GILTS

Setback for attack on 10% yields

CAN THE UK gilt-edged market hreak through the significant 10 per cent yield barrier? At the start of last week the market was advancing strongly towards the target, which has proved unhreachable in recent years. By Wednesday night yields on high-conpon long-dated stocks bad fallen to 10.16 per cent.

The market bad risen every doy for 13 doys by Wednesday's close. But by the weekend a retreat had heen called, although prices were still ahead on the week. The qnestion is whether the sethack heralds a re-grouping or if the final attack has been delayed ootil the autumn at the eorliest.

Behind the market's rise has been first the strength of the pound against the U.S. currency, which allowed the holf point cut in clearing banks base rates to 12 per cent last Monday, and secondly beavy buying by overseas Investors. The two foctors are connected as currency gains are the greatest Incentive to foreign purchasers.

Sterling kept on upwards reaching $1.42 mid-week and the optimists in the market were boping for another base rate cut soon, if not within days. On Monday the Government Broker sold out his conventional tap—Treasury 10 per cent 2004—nicely in time for the end of the July banking month on Wednesday.

Three taplets, each of £200m, were issued to replace the tap and started trading on Friday morning but by this time news from the U.S. had dampened the market down again. Interest rates there are now not expected to fall for a while and the pound slipped once more. That has dampened gilt market bopes of a further cut in base rates.

Although one of the taplets—Exchequer 11 per cent 1989—was sold out on Friday morning, rumour has it that a UK bank said yes to the wbole lot and the market hardly saw it. The other two were then trading below the level at which the Bank of England had bought them from the Treasury.

Overseas buying—which has been running at extraordinarily high levels this year, reaching £2bn in the first balf occording to one estimete—dried up at the end of the week.

Without the pound and the foreigners pushing the market higher, a period of consolidation looks the best that can be hoped for over the next few weeks.

Certainly domestic buyers heve not been keen to put cash into the market. It is not for the lack of funds—gilt dividends are at a seasonal peak in July, and there bave been two large stocks redeemed. For these investors 10 per cent yields are a strong psychological barrier.

Figures released on Thursday sbowing that net gilt sales to the UK non-hank private sector—the buyers that metter in the Sterling M3 calculations—had been nil in banking June are probably not as significant as some observers first thought. The heavy redemptions would account for the zero net figure and it is further evidence nf large nverseas buying.

It may even suggest that the authorities are relaxed about funding, and certainly the old desire to overfund to try to reduce Sterling M3 seems to have gone.

Sterling'o next wobble could be caused by a return of the old worry — oil prices. The Organisation of Petroleum Exporting Countries starts another meeting today. While the gilt and foreign exchange markets seem to bave shrugged off oil of late, there is always the chance that it can suddenly become a factor once more if OPEC decides on price cutting or the meeting eods in disarray.

Tbe index-linked sector bas come to life again, as more and more brokers are recommending switches from conventional stocks. Index-linked look cheap in terms of the historic relationship between the two. The Government Broker sold his Treasury 2½ per cent 2001 stock last week — it hed been sitting around since mid-May — and be supplied some Treasury 2½ per cent 2013.

The merket is still thin, and some brokers detect a desire et the Bank of England to expand the sector greatly in coming months to make it more attractive for dealers in tbe post-big bang gilt market to make continnous prices in them.

Maggy Urry

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
ANFC O/B Fin 11¾ 94	100	104⅞	−0⅛	10.81
AIDC 11 89	75	102⅜	−0⅛	10.08
AIOC 11⅞ 00	100	101	−0⅛	11.04
Amer Savings 12 89	125	102⅛	−0⅛	10.97
Amer Savings 12¾ 89	100	102⅛	−0⅛	11.37
Asian Dev Bk 11⅛ 93	100	105¼	−0⅛	10.65
Australia 11¾ 90	100	104½	−0⅛	10.08
Australia 11⅜ 95	200	105	−1⅜	10.66
Australia 11⅜ 98	100	107¼	−1⅛	10.57
Austria 15½ 88	75	112⅞	−0⅛	0.90
Avco Fin 13⅞ 91	100	107⅜	−0⅝	11.45
Bk Nova Scotia 13⅜ 87	100	100¼	−0⅛	10.07
Bank of Tokyo 12⅜ 92	100	106	0	11.00
Bank of Tokyo 13⅜ 91	100	111⅜	−0¼	10.80
Bank of Tokyo 13⅞ 89	100	111⅜	0	10.42
Bergen Bank 11½ 00	75	101	0	11.10
BP Capital 1⅜ 92	150	102⅜	−0⅛	10.63
Br Col Hydro 11⅜ 93	200	105⅞	−0⅜	10.62
Br Col Hydro 12¾ 14	200	110⅛	−0⅝	11.66
Br Col Hydro 12½ 13	250	110⅛	−0⅞	11.57
Britoil Fin 11⅞ 90	125	103½	−0⅛	10.93
Caisse Nat En 11¾ 95	125	105⅛	−0⅛	10.84
Canada 10⅞ 88	500	103⅞	−0⅛	9.50
Casio Computer 5⅞ 89	90	122	+5½	−0.13
CBO Inc 11⅜ 92	100	102½	−0⅛	10.84
Centrust S & L 0 10	1bn	6⅛	−0⅛	11.95
Chesebrough 12 93	100	102⅜	−0⅛	11.00
Chrysler Fin 13¾ 94	150	107⅛	−0⅛	11.91
Citicorp O/S 10⅛ 90	100	100⅜	−1	10.29
Citicorp O/S 11⅛ 90	100	103⅜	−0⅛	10.84
Citicorp 11⅛ 92	100	103⅜	−0⅛	10.94
Citicorp 11¾ 97	200	101⅛	−0⅛	11.54
Citicorp O/S 14 94	100	103⅛	0	13.38
CNCA 11⅜ 92	125	103⅛	−0⅛	10.77
CNCA 13⅛ 91	100	111	+0¼	10.62
Coastfed Int 12⅞ 88	125	103⅞	−0⅛	10.55
Coca-Cola 11¾ 88	100	105	0	9.52
Comp Bancaire 13⅞ 00	75	110	−1	11.09
Comsat 12⅞ 91	100	103⅜	−0⅛	11.30
Creditanstalt 13⅛ 91	100	108	−0⅛	11.18
Dai-Ichi Kangyo 12¼ 90	100	106⅛	−0¼	10.60
Denmark 10⅞ 90	100	99⅞	0	10.88
Denmark 11⅜ 92	100	102⅞	−0⅜	10.85
Denmark 12⅜ 92	250	101⅜	−0¼	12.36
Denmark 13 92	100	101⅜	−0⅜	12.55
Denmark 13¾ 91	100	110⅛	−0⅛	10.84
Denmark 13⅞ 88	100	109¾	+0⅛	10.01
Denmark 14 91	100	110	+0⅛	11.59
Digital Equip 11⅜ 89	150	104¾	+0⅜	10.09
Dutch St Mines 11⅜ 91	150	102⅛	+0⅞	10.73
Eksportfinans 11¾ 92	100	102⅞	−0¼	10.74
Eksportfinans 11½ 90	100	103⅜	0	10.54
Elec de France 11⅜ 93	100	102⅜	−0⅛	10.68
Elec de France 12¾ 87	150	106	−0¼	9.62
EEC 11 87	350	102¼	−0⅛	9.41
EEC 11⅜ 00	100	103	−0⅛	10.23
EEC 12 93	100	107½	−1	10.57
Elf-Aquitaine 10¾ 89	100	100⅞	−0⅛	10.62
Ericsson L M 10⅞ 88	100	101½	0	9.63
Euro Inv Bk 11⅛ 90	200	104⅞	−0¼	10.25
Euro Inv Bk 11⅜ 91	73	100⅝	−0¾	11.43
Euro Inv Bk 12½ 90	100	108⅜	0	10.10
EDC 9⅞ 88	200	100⅞	−0⅛	9.73
EDC 10 88	125	101⅛	−0¼	9.46
EDC 10¾ 88	100	102⅜	−0¼	9.57
EDC 11⅜ 89	150	103	−0⅛	10.04
EDC 12 89	100	106	−0⅛	10.17
EDC 13¾ 87	100	107⅛	+0⅛	9.46
Fed Dept Store 11 00	100	102	−0½	10.39
Finland 11⅜ 88	100	103¼	−0⅛	9.68
Finland 12⅞ 94	75	108⅜	−0⅜	10.80
Finnish Export 12⅜ 87	75	105⅞	−0⅛	9.69
Firstfed Mich 13⅞ 89	125	105⅞	−0¼	11.32
Florida Fed 12⅜ 88	100	103⅜	−0⅛	11.17
FNMA 11⅛ 81	300	103⅜	−0¼	10.71
Gen Elec Cred 0 96	600	31⅜	−0¼	11.06
Gen Elec Cred 9¾ 91	100	99	−0⅛	9.98
Gen Elec Cred 10⅛ 90	200	100½	−0⅛	10.29
Gen Elec Cred 11 91	200	103⅜	+0⅛	10.20
Gen Elec Cred 11⅛ 87	200	103⅛	0	10.95
Gen Elec Cred 12 94	200	104⅞	−0⅜	11.11
Gen Foods Cap 11⅜ 00	75	103¼	−1⅜	10.54
General Mills 12 91	100	104⅛	−0⅛	11.01
GMAC 10 88	200	100⅝	−0⅛	9.67
Gen Motors Acc 10¾ 90	200	101⅜	−0⅛	10.04
Gen Motors Ac 11⅜ 90	100	104	0	10.32
Gen Motors Ac 13 89	200	103⅞	−0⅛	9.54
GTE Finance 12 96	75	101⅛	0	11.77
Gulf Oil 10¾ 94	100	99¼	−0⅛	10.38
Gulf Oil 12⅜ 87	100	101⅜	−0⅛	11.52
GZB 14 91	100	110⅛	+0⅛	11.43
Hall Air Fin 12¼ 91	100	102¼	−0⅞	11.55
Household Fin 11⅜ 92	100	102⅜	−0⅛	11.06
IBM 0⅜ 89	200	99⅞	−0⅜	9.63
IBM (WTC) 10⅛ 89	300	101⅜	−0⅛	8.94
IBM Credit 11 89	100	103½	−0⅛	9.94
IBM Credit 13⅞ 87	100	102⅜	0	13.24
IBM 12¾ 92	200	108	0	10.59
Ind Bk Japan 10⅜ 92	100	103⅞	−0⅛	9.89
Ind Bk Japan 10⅞ 95	100	104⅝	−0⅛	10.10
Ind Bk Japan 11⅜ 89	125	104⅛	−0¼	10.00
Ind Bk Japan 11⅞ 91	100	107⅜	−0⅛	10.20
Ind Bk Japan 13⅞ 91	125	113⅜	−1⅛	10.77
Int-Amer Dev 12¾ 91	150	108⅞	−0⅛	10.71
Int-Amer Dev 11⅜ 94	200	105⅜	−0⅛	10.94
Int Paper 12 81	75	104¼	0	10.80
Int Stand Elec 0 97	112	26½	+0⅛	12.07
Int Stand Elec 12 96	75	101⅛	−0⅛	11.64
ITT 11⅜ 89	125	103½	−0¼	10.42
ITT 12⅜ 94	100	105⅞	−0⅛	11.30
Japan Airlines 12½ 94	70	111¾	−0⅛	10.39
Japan Dev Bk 11⅞ 91	100	106⅜	−0⅛	10.52
Kellogg Co 10⅞ 00	100	101⅜	−0⅛	10.33
Kellogg Co 11⅛ 92	100	102⅞	−1	10.64
Kimberley-Clark 12 94	100	105⅜	−0⅛	10.79
Kyowa Fin HK 12⅞ 00	100	107⅞	−0⅛	10.74
Long Term Cred 10⅜ 90	100	101⅛	−0⅛	10.39
Long Term Cred 11 90	100	102⅛	0	10.30
Long Term Cred 11⅞ 89	100	105⅞	+0¼	10.11
Long Term Cred 12 00	75	107¼	−0⅛	10.62
Long Term Cred 12 93	100	104⅜	−0⅛	10.62
Macy R H 11⅞ 91	100	103⅜	−0⅛	11.09
Macy R H 11⅜ 95	100	100	−0⅛	11.34
Marubeni 11⅜ 91	100	103⅜	−0⅛	10.96
McDonalds Fin 11⅜ 94	75	103⅜	−0⅛	11.91
Merrill Lynch 12⅜ 94	100	120	+0⅛	0.82
Minbea 6¾ 89	100	123	+28	−0.99
Mitsubishi 5¾ 88	100	97⅜	−0⅛	11.00
Mitsubishi Cp 10⅜ 92	100	99⅜	−5	10.65
Mitsubishi Co 10⅜ 95	200	109⅜	−0⅛	10.20
Mitsubishi Co 12½ 91	100	111	+2⅜	6.19
Mitsui Eng 7¼ 88	60	100⅜	−0½	12.04
Mitsui Fin 12¾ 92	100	104⅞	−0⅛	10.78
Mitsui Tst Fin 12 81	100	100⅞	−2⅜	10.17
Mobil Corp 10¾ 90	200	106⅜	−0¼	10.84
Montreal City 12¼ 91	70	105⅜	−0⅛	10.30
Mgn Guaranty 12⅜ 89	150	102⅛	−0⅛	10.72
Morgan J P 11⅜ 92	100	106	0	10.26
Mount Isa Fin 13⅜ 87	100	104⅛	−0⅛	10.11
Ned Gasunie 11⅜ 90	75	103⅛	−0¼	10.43
Ned Gasunie 11⅜ 91	75	104⅞	−0⅞	10.92
N Eng Ll Mlg 11⅜ 95	149	109⅜	+1⅜	10.85
Newfoundland 13 91	75	110⅞	−0½	10.68
Nippon Crd Bk 13⅞ 88	100	105⅛	−0⅛	8.86
Nippon Tel Tel 11⅜ 90	100	112⅞	0	10.80
Nippon Tel Tel 13 11/32 94	150	102⅛	−0⅞	5.69
Nissho-Iwai 0⅜ 88	70	173	−0⅞	−10.81
Nomura 6¾ 90	100	102⅞	+0¼	10.99
Nova Scotia 11⅜ 91	100	106	−0⅛	10.79
Nova Scotia 11⅜ 98	100	105⅛	−0⅜	10.32
Oester Post 12¾ 89	75	142	+4⅜	−2.78
Obbayashi-Gumi 7⅜ 89	00	106⅝	−0¼	10.39
Ontario Hydro 11⅜ 94	200	105⅞	−0⅜	10.21
Ontario Hydro 11⅞ 90	200	111⅛	−0¼	10.72
Ontario 12½ 94	250	103⅜	−0⅛	11.43
Pacific Gas & El 12 00	75	104⅞	−0⅞	10.77
Penney J C 11⅞ 90	100	107⅜	−0⅜	10.67
Penney J C 12¾ 91	100	102⅛	−0¼	12.95
Phillips Petrol 14 89	200	101⅜	+0⅛	10.63
Postipankki 11⅛ 00	75	106⅝	+0⅛	9.74
Post-Och Kred 13½ 87	60	99	0	12.90
Privatbanken 12⅜ 95	100	106½	−0⅛	0.34
Prudential Ins 12⅜ 87	100	23⅜	0	11.29
Pru Rlty Secs 0 99	365	104⅜	−0⅛	19.84
Pru Rlty Secs 11⅞ 92	366	106⅞	−0¼	10.93
Pru Rlty Secs 12⅛ 95	546	106⅜	−0⅛	12.90
Quebec Prov 12¾ 94	150	104⅝	−0⅝	10.13

	Issued	Price	Chg. on week	Yield
Queensland Gvt 11¾ 88	100	102	−0⅛	12.10
RBC 12⅜ 90	100	102⅜	−0⅞	11.38
Rural Bk Aust 12 91	50	104⅜	−0⅛	10.80
Sanwa Bank 11⅞ 92	100	101⅜	−0⅛	10.48
Saskatchewan 10⅜ 92	100	102⅜	0	10.06
Saskatchewan 10⅜ 00	125	105½	−0⅛	10.20
Saskatchewan 11⅞ 89	100	119⅜	−0⅛	10.67
Saskatchewan 15 92	150	116⅞	−0⅛	10.33
Saskatchewan 18 89	125	111	−0⅛	12.35
Scot Int Fin 14¾ 96	50	24⅜	−0⅛	11.38
Sears O/S Fin 0 98	500	100⅜	+0⅛	10.35
Sears Roebuck 10½ 91	150	100⅛	−0⅛	10.33
Sears Roebuck 11⅜ 91	150	105⅛	−0⅛	10.84
Sec Pacific 12 92	100	105½	+0⅛	11.08
Shearson/Amex 12⅜ 94	100	112⅜	−0⅛	11.67
Shell (Canada) 14⅜ 92	125	103⅜	+0⅛	10.89
Signal Comps 11⅜ 92	125	101¼	−0⅛	10.01
Standard Oil 10⅜ 89	190	105⅛	−0⅛	8.88
Statoil 12 88	100	100⅞	−0⅛	10.64
Sumitomo Corp 10⅜ 92	100	104	−0½	10.99
Sumitomo Fin 11⅜ 92	150	108⅛	−0⅛	10.74
Sumitomo Fin 12⅜ 91	100	108⅜	−1⅛	11.05
Sumitomo Trust 12⅜ 92	100	104⅜	0	10.25
Sweden 11½ 88	200	108½	0	10.18
Sweden 12⅜ 89	200	102⅞	0	10.34
Swedish Export 10¾ 94	100	103⅜	−0⅛	10.28
Swedish Export 11⅜ 88	100	104⅞	0	11.20
Swedish Export 12⅜ 89	100	104⅞	−0⅛	10.75
Taiyo Kobe 11⅞ 00	100	105	−0½	10.10
Taiyo Kobe 12 90	100	102⅞	−0⅛	10.42
Tenneco Intl 11⅜ 89	150	100⅜	−0⅛	10.41
Texaco Capital 10⅜ 90	200	100⅜	−0⅛	10.34
Texaco Capital 10⅜ 93	200	109½	0	10.46
Texaco Capital 13½ 89	200	103⅜	+0⅛	10.92
Texas Instru 11⅜ 91	100	106	−0⅛	10.72
Tokai Asia 12¾ 91	100	94	+1	8.45
Tokyo Electric 6½ 88	10	108	−0⅛	10.52
Tokyo Electric 13⅜ 89	100	98½	−1⅜	11.43
Toray Inds 11⅜ 92	50	106½	+0½	10.41
Toronto-Dom 12⅜ 89	50	105⅜	+0⅛	10.97
UBS 12¼ 91	100	102⅜	−0⅞	10.72
Utd Tech 11⅜ 92	150	133	+1	2.41
Veba 8 00	75	104⅜	−0⅛	10.75
West LB 11⅞ 90	100	106⅞	−0⅛	11.18
Westpac 12⅞ 92	100	101⅜	−0⅛	11.01
Weyerhaeuser 11⅜ 90	00	101⅜	−0⅞	10.59
World Bank 11 92	300	108⅜	−0⅛	10.30
World Bank 11⅜ 90	200	103⅞	0	9.97
World Bank 11¾ 88	200	107⅜	−0⅛	10.54
World Bank 12 93	200	108⅜	−0⅛	10.72
World Bank 12¾ 94	150	111⅜	−0⅛	10.80
World Bank 12⅞ 94	200	105⅜	−0⅛	10.51
Yasuda Trust 12⅜ 89	100			

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 98	100	100	0	8⅛
Arab Bank Corp ⅛ 96	100	99⅞	+0⅛	10 5/16
Banca Lavoro ⅛ 91	100	100⅞	+0⅛	8⅞
Banco di Roma ⅛ 91	150	99⅞	−0⅛	7 13/16
Bank di Roma 1/16 93 CU	75	99⅞	+0⅛	10 5/16
Bankers Tr NY ⅛ 94	200	100⅛	0	7⅞
Bank of Greece ⅛ 94	100	99⅞	0	8⅛
Bank Montreal ⅛ 94 £	100	100⅛	0	12 11/16
Bqe Nat Paris ⅛ 88	400	101	0	10 7/16
Bqe Nat Paris ⅛ 89	250	100⅛	+0⅛	8 13/16
Bqe Nat Paris ⅛ 96	250	100⅛	0	9⅛
Barclays O/S ⅛*	600	100⅛	0	9¼
BBL ⅛ 95	100	100½	0	9 3/16
BBL ⅛ 99	100	100⅛	0	9⅞
BCI ⅛ 96	300	100	+0⅛	9⅞
BFCE ⅛ 87	400	100⅛	0	9 11/16
BFCE ⅛ 88	500	100⅛	0	9⅛
BFCE ⅛ 99	600	100⅛	0	10 3/16
Belgium 1/16 04	400	100⅛	−0⅛	9⅛
CCCE ⅛ 05	200	100	0	8⅞
CEPME ⅛ 96 £	100	100⅛	0	12 11/16
Chase Manhattan ⅛ 09	400	99⅞	0	7 13/16
Chemical NY 1/16 99	200	102⅛	0	7⅞
Citicorp O/S ⅛ 91 £	100	99⅛	+0⅛	12⅛
Citicorp Perp Psn ⅛ 97	250	99⅞	−0⅛	8 11/16
Commerzbank ⅛ 89	150	100⅛	0	8⅛
Creditanstalt 1/16 96	150	100⅛	0	9 13/16
Credit Comm ⅛ 98	250	100⅛	+0⅛	9 11/16
Credit Foncier ⅛ 00 £	100	100½	0	12⅜
Credit Lyonnais ⅛ 96	300	100⅛	0	8 3/16
Credit Lyonnais ⅛ 99	250	100⅛	0	8⅞
Credit National ⅛ 95 £	100	100⅛	0	12 7/16
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	8 13/16
Denmark ⅛ 00	250	100⅛	0	8⅜
Denmark 0 99	200	99⅜	+0⅛	9⅜
Denmark 1/16 90	500	100⅛	0	9⅜
Eldorado Nuke 0 89	100	100⅛	0	9 13/16
Elec de France ⅛ 95	300	100	0	9⅛
Elec de France ⅛ 99	400	100⅞	+0⅛	10
ENEL ⅛ 93 £	100	100½	0	12⅜
Exterior Intl ⅛ 96	125	99½	−0⅛	7⅞
Ferro del Stat ⅛ 89	250	100⅛	0	10 3/16
Fiat Finance ⅛ 94	100	99⅛	+0⅛	9⅞
First Chicago ⅛ 94	100	99⅛	−0½	8 13/16
First Chicago 1/16 97	150	100⅛	−0⅛	9 11/16
Ford Motor Cr ⅛ 91	200	99⅞	0	10⅛
GW O/S ⅛ 94	100	100⅛	0	9⅞
Grindlays ⅛ 84	100	100½	0	8 13/16
INI 1/16 00	100	97⅞	0	[illegible]
Interfirst Tex ⅛ 88	100	100⅛	0	12 3/16
[illegible]				
Iatac Inc 3 88	00	65	0	3.32

	Issued	Price	Chg. on week	Yield
Kumagai Gumi 3½ 00	90	148⅞	+12⅞	−1.98
LASMO 9¾ 96	45	94⅞	+0⅛	20.30
Moet-Hennessy 7 98	65	100⅝	0	6.81
[illegible]				
Texaco Cap 12⅞ 92	1/9/87	64⅞	−2¼	11.48
Xerox 13¾ 87	15/8/86	57⅞	−5	10.03

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

* Perpetual.

 Closing prices on July 19.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Euronote bankers clash over distribution

FLUSHED WITH their success in arranging underwriting facilities for their borrower customers, banks in the Euronote market are now increasingly turning their attention to the trickier question of actually placing the Euronote paper with end-investors.

This shift of emphasis has come with the growing realisation that the placement of paper has grown exponentially in line with the rapid rise in the number of facilities arranged.

Market estimates suggest that about $10bn in Euronotes are now actually outstanding. The low rates struck in recent auctions by companies such as Unilever, which achieved an average of 13½ basis points below the key Libid rate on a sale of $100m in three-month paper, have fuelled expectations that more and more companies will want to put their toes in the water.

But this has all happened at a time when the secondary market is still in the very early stages of groping its way towards a unified system for the sale and distribution of paper to end-investors. Paradoxically, the tender panel system, whereby a designated group of banks combine to bid for the paper at auction, has turned out to have a number of practical drawbacks.

Because it is an auction system it ought to epitomise the perfect market, matching exactly the best aspirations of both lender and borrower. In practice a fierce controversy rages about its role. Mr Philip Colebatch, an Executive Director of Credit Suisse First Boston, irritated many of his competitors when he hit out against the tender panel system at a recent Euromoney seminar.

Mr Colebatch belongs to the camp of investment bankers which argues, partly out of self-interest, that the business of placing paper ought to be left to those with an established expertise in securities dealing. The presence of in-expert commercial banks on some tender panels muddies the water and distorts pricing, while the system itself impedes a free flow of paper to the market because auctions only take place periodically, after long notice periods. It may also leave some participants unable to fulfil their customers' needs because of "rogue" bidding by competitors.

Worse still, the notice period required to set up an auction may cause some borrowers to miss a window of opportunity in the market-place. As a result, they risk ending up paying more for their money. What this camp would prefer is a limited system of designated dealerships able to supply paper to the market on demand.

But this is where the commercial banking camp gets really hot under the collar. Dealerships are a monopoly system that cuts off price competition, they argue. Moreover they leave a borrower particularly vulnerable to the traditional Euromarket roundabout where whole teams of dealers can switch overnight from one house to another in search of better pay, says one senior banker.

The fact that tender panels can work well is shown by the case of Sweden which has now issued $2.5bn of short-term dollar notes under its $4bn facility arranged last year. At the first auction the range of bids received was very wide with the lowest accepted one 35 basis points below Libid and the highest 15.56 points below. Now this range has narrowed with the latest auction showing a range of only 2.09 basis points around an average 4.877 below Libid.

Moreover, bankers point out that the market no longer offers a simple choice between tender panels and dealerships. Both mechanisms were combined in the recent facility for AB Flakt, the Swedish air technology concern, while another Swedish deal, the recent $1.8bn refinancing for the Kingdom arranged by Chase Manhattan, incorporated two classes of tender panel. One of these was a so-called "specialist" panel whose members are compelled to bid if Sweden seeks drawings and which may deal in unusual maturities.

Refinements such as these are likely to continue as the market experiments with distribution. In the event it may turn out that no one system dominates. Some bankers believe that the tender panel system is best suited to high-volume, top-quality issuers such as Sweden, while dealerships are more appropriate for lesser credits whose paper sales need to be more carefully controlled.

For all its imperfections the tender panel system still has two main things going for it. Banks like it because it adds to their incentive to join a deal. Borrowers like it, too. After all, a bad auction result can be blamed on the market. Poor performance from a designated dealer is harder to explain. It may mean the wrong dealer was chosen in the first place and that has to be the borrower's fault.

Peter Montagnon

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Fuji Heavy Ind. §‡	50	2000	15	3	100	Yamaichi Int.	3.000
Pirelli Fin. Services §	50	1995	10	(7–7½)	100	CSFB	*
Dowa Mining ¶	50	1990	5	(7)	100	Nikko Secs. (Europe)	-
C. Itoh ‡	75	1991	6	10⅛	101.8	Banque Paribas	0.715
Texaco ‡	300	1995	10	10	08¾	CSFB	10.205
First Bank Systems (a)†‡	100	1997	12	⅛	100	CSFB	–
Trafalgar House ⏀‡	100	1992	7	10¾	100	Barclays Merchant Bk	10.750
Osaka Gas ‡	50	1992	6¾	10⅛	100	Nomura Int.	10.125
CANADIAN DOLLARS							
Bell Canada ‡	100	1000	5	10¼	100½	UBS (Secs)	10.118
Hydro Quebec ‡	100	1995	10	11	100½	Merrill Lynch	10.915
World Bank ‡	100	2009	24	11	100	Dominion Secs. Pitfield	11.000
AUSTRALIAN DOLLARS							
GMAC ‡	35	1989	3	12⅞	100⅝	Hambros Bank	12.612
State Bank of NSW ‡	75	1999	9	12¾	100¾	Morgan Stanley	12.539
Westpac Banking ‡	50	1990	9	12¾	100⅝	Bankers Trust Int.	12.574
Den norske Creditbk ‡	50	1988	3	12⅞	100⅝	Bankers Trust Int.	12.612
Ford Credit Aus. ‡	50	1990	5	12⅞	100½	CSFB	12.734
NEW ZEALAND DOLLARS							
Finance Corp. of NZ ‡	40	1988	4	16⅝	100¼	Bqe Gutzwiller, K.B.	16.535
Bank of Nova Scotia ‡	50	1989	3¾	18⅛	99¾	Morgan Stanley	16.135
KOP ‡	50	1991	5¾	16¼	100	Morgan Stanley	19.250
McDonald's **‡	12	1090	5	16	100	Bqe Gutzwiller, K.B.	18.000
HONG KONG DOLLARS							
C.I.T.I.C. (b)‡	300	1990	5	9⅜	99.90	Chase Man. Asia	9.401
D-MARKS							
Pirelli Fin. Services §	120	1992	7	(4)	100	BHF-Bank	*
Credit Suisse Fin. ¶‡	100	1990	5	4	100	CSFB-Effectenbank	4.000
Mogul Finance ‡	150	1997	12	7¼	99¾	Dresdner Bank	7.282
SWISS FRANCS							
Miura Printing **‡	15	1990	–	5¾	100	Credit Suisse	5.750
Southmark Corpn. ‡	120	1093	–	9¼	100	Bqe Paribas (Suisse)	5.250
Kinugawa Rubber Ind. **¶‡	25	1990	–	3	100	Credit Suisse	3.000
Dainippon Shigyo **§‡	20	1990	–	1⅝	100	UBS	1.625
Nippon Metal Ind. **‡	30	1990	–	5¾	100⅛	Bank Leu	5.721
Toshiba Tungaloy **§	90	1090	–	(1⅝)	*	Credit Suisse	*
EIB ‡	100	1995	–	5⅝	100	SBC	5.625
Belgium **‡	50	1991	–	5½	100	Credit Suisse	5.500
N. Nomura **¶	20	1990	–	(3¼)	*	Bank Julius Baer	*
ECUs							
IBM World Trade ‡	150	1990	5	8¼	100	BNP	9.250
STERLING							
World Bank ‡	100	2018	25	9½	88.466	Baring Brothers	10.855
Pirelli UK §	40	2000	15	(7¼–7¾)	100	Baring Brothers	*
GUILDERS							
BFCE ‡	200	1907	0	7½	100	AmRo	7.500
LUXEMBOURG FRANCS							
Eurofima ‡	600	1995	10	9	100	Kredietbank Int.	9.000
YEN							
Swedish Export Cr. ‡	13.5bn	1990	5	0	73.201	Nikko Secs. (Europe)	6.420
GMAC ‡	30bn	1990	5	0	74.927	Nomura Int.	5.943

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ⏀ Partly paid. (a) ⅛ over 3m Libor. (b) unlisted. Note: Yields are calculated on AIBD basis.

Multimedia to buy back stake from bid predator

BY PAUL TAYLOR IN NEW YORK

MULTIMEDIA, the U.S. TV station, cable television, and newspaper group, has agreed to buy back the 1.63m shares, or 9.75 per cent stake acquired by Mr Jack Kent Cooke, a U.S. entrepreneur, as part of his bid to win control of the group.

The company said it will pay $70 a share, or a total of $113.86m for Mr Cooke's stake—representing a $6.75-a-share premium over Multimedia's Thursday closing share price.

The share price sank after the "greenmail" agreement was announced, dropping $4⅛ on Friday to close at $58⅜.

Under the terms of the deal Mr Cooke, who will also be reimbursed for "certain expenses," agreed to end his takover attempts.

The deal will form part of a previously proposed $890m recapitalisation plan under which Multimedia would be taken into private ownership by an investment group including senior managers and the company's founding families, who together own about 40 per cent of the group's outstanding shares.

If approved by shareholders, the deal could signal an end to a long-running battle for control of Multimedia. Mr Cooke, who owns the Washington Redskins American football team, had steadily raised his hostile bid for a controlling stake in the group to $70.01 a share—valuing the company at about $1.2bn.

Mr Cooke raised his bid for 6.73m shares, or an additional 40.3 per cent of Multimedia, last week after the South Carolina-based group had twice rejected previous offers. Last weekend the U.S. Federal Communications Commission agreed Mr Cooke could use a trustee to hold the group's broadcasting licences—a key decision which enabled Mr Cooke to proceed with his takeover attempt.

The recapitalisation plan will be put to shareholders shortly and Mr Cooke has agreed to vote his stake with the majority. The plan must also receive the approval of South Carolina's courts.

Mr Wilson Wearn, Multimedia's chairman, said he was "pleased" with the agreement which he said was in the best interest of shareholders.

In the year to December 1984 Multimedia earned $33.7m on sales of $304.4m.

Cominco falls to C$6.6m first-half loss

By Bernard Simon in Toronto

COMINCO, the diversified Canadian zinc and fertiliser producer, suffered a C$6.6m (US$4.9m) loss before extraordinary items, equal to 21 cents per share, in the six months to June 30, compared to a profit of C$20.1m or 21 cents a share, a year earlier. After including extraordinary gains, earnings dropped from C$25.3m to C$2.8m.

Second-quarter income before extraordinary items fell from C$15.8m to C$3.4m despite a 9.8 per cent increase in sales. The company said higher sales of zinc and lead concentrates were offset by lower metal prices. Cominco recently announced a six-month cut in zinc output at its mine near Trail, British Columbia, as part of several producers' efforts to bring supply into line with demand.

Chemical and fertiliser profits increased during the second quarter, thanks to higher sales volumes. Ammonium phosphate and potash prices declined.

Total sales rose from C$434m to C$477.5m in the second quarter, and from C$802.7m to C$813m in the first half.

CGE hopes for Eureka deals with Philips, Inmos

BY DAVID MARSH IN PARIS

COMPAGNIE Generale d'Electricite, the French state-owned engineering and electronics conglomerate, is hoping to agree co-operation with Philips of the Netherlands in industrial control systems and with Inmos of Britain in artificial intelligence as part of the Eureka technology programme.

CGE said that it was already associated with 10 other European companies in areas which could be supported under Eureka, the high-tech co-operation scheme agreed by 17 European governments last week.

It named seven areas where collaboration is under way. These included artificial intelligence, where CGE companies and research laboratories have already teamed up with Techint of Italy, Danet of West Germany and Societe Generale de Belgique. Discussions are taking place to include Inmos in the partnership, it said.

Other co-operation areas are industrial control systems, robots, flexible automated systems, lasers and telecommunications, CGE said.

The CGE statement follows a series of announcements of planned or prospective research agreements linking the other main French electronics groups, Thomson and Matra, with European companies including Siemens, GEC, Philips, SGS, Messerschmitt and Norsk Data.

Shipping sale by Storebrand

BY FLEMMING DAHL IN OSLO

STOREBRAND-NORDEN, the Norwegian insurance group, has agreed to sell its shipping investments to a Norwegian group of investors in a deal worth NKr 110m ($13m). A final deal will depend on the buyers' ability to finance the take-over by September 20.

The group said it was selling because it wanted to concentrate on activities which "naturally relate to each other." The shipping investments, gathered in a company called Poseidon, are spread on 86 different projects, mainly oil rigs, bulk ships, and tankers.

Poseidon reported a 1984 pretax profit of NKr 17m.

UK COMPANY NEWS

CAP offers 7.5m shares on London stock market

BY STEFAN WAGSTYL

CAP Group, one of the UK's leading independent software houses, is coming to the stock market through the offer for sale of 7.5m shares, or 34.3 per cent of its equity.

Some 5m are new shares being sold to raise £5.1m in fresh funds for the company, and the rest are being sold by shareholders.

Merchant bank Morgan Grenfell is offering the shares at 120p each, or 16.4 times fully diluted earnings for the year to the end of April 1985. The yield, on a forecast dividend for the year to next April, of 1.5p, is 1.78 per cent.

CAP, founded in 1962, ran into trouble in the late 1970s with an ill-fated diversification into micro-computer software which plunged the company into a pre-tax loss of £1.42m in 1980-81. But after a management shake-up, the group has recovered rapidly and in the year to April made pre-tax profits of £2.12m on turnover of £36m.

About 70 per cent of the company's turnover comes from systems development, with the rest divided between selling software products, consultancy and software maintenance.

Customers in industry account for 48 per cent of sales, with another 29 per cent coming from science and defence markets, and the remainder from companies in financial services.

CAP says that the current year has started well. It plans to continue expanding sales both in the UK and overseas.

The issue, underwritten by Morgan Grenfell, is advertised today. The application lists close on Thursday, and dealings are expected to start the following Wednesday, July 31.

● comment

It is hard to see why CAP Group is compelled to press ahead with its flotation at this time. Not only is the stock market busy marking down high technology shares across the board, but it has also taken a particular dislike to software houses, in the wake of troubles at Micro Focus and, more importantly, Logica. Admittedly, Systems Designers retains its premium rating, trading on a multiple in the high teens, but it is a smaller company than CAP, and so a thin thread from which to hang a new issue. All this is unfortunate, because CAP has the hallmarks of a quality company — with a broad spread of customers and a high reputation in the industry.

Since learning a lesson in 1980/81 about the dangers of diversification, the group has concentrated intently on the markets it knows best. In particular it has been reluctant to develop too much business abroad, though this may change in the future. While there is an element of recovery in the five year track record, there is every reason to believe that CAP will continue to take its share of the growth of demand for computer software. In better times, it would be an attractive addition to any portfolio. At the moment there seems little cause for rushing to buy in the offer for sale.

Moss Advertising for USM

BY LUCY KELLAWAY

THE MOST recent in the stream of marketing companies coming to the USM is Moss Advertising, which is being brought by Henderson Crosthwaite. A placing of 825,000 shares at 105p will raise a total of £900,000 of which £360,000 will be new money for the company.

Moss, which is capitalised at £4m, is a regional advertising agency with offices in Sheffield, Leeds and Leicester. The company is also involved in PR, graphic design and marketing consultancy, although advertising accounts for about 90 per cent of group profits.

The company was started by Stephen Moss in 1978 and now employs 61 people. It currently has over 100 clients, three of which account for a third of group trading profits.

In the last five years, turnover has grown from about £1.5m to £4m, while profits have increased from £80,000 to £227,000. There was a two-year dip in 1981 and 1982, which the company says was due to costs associated with expansion.

In the half-year to February, Moss made pre-tax profits of £231,000 on sales of £2.6m and is forecasting a full year outcome of less than £410,000.

On this basis, the shares are on a p/e ratio of 14.5 after an estimated 44 per cent tax charge. The yield is 3.3 per cent assuming dividends per share of 2.45p.

Dealings begin on Thursday.

Bristol Evening Post up at £2.9m

ALTHOUGH SECOND-HALF profits fell from £1.7m to £1.55m, Bristol Evening Post ended the year to March 31 1985 with pre-tax figures ahead at £2.93m, against £2.48m previously. Turnover for the 52 weeks increased from £37.83m to £40.71m.

With earnings per 25p share up from a stated 20.72p to 26.37p, the dividend total is 5p higher at 21.5p net after a final payment of 14p.

Operating profits rose by £0.45m to £2.95m, of which the largest contribution came from newspaper publishing and printing at £1.36m (£1.06m). Retail activities added £775,000 (£701,000), features and crossword agencies £47,000 (£62,000); and transport and vehicle repair £92,000 (£58,000). Property rental income came to £672,000 (£616,000).

Interest payable, less investment income, took £21,000 (£25,000). After tax of £1.37m (£1.27m) and minorities of £486,000 (£358,000), the attributable surplus emerged ahead from £846,000 to £1.08m.

There was also an extraordinary credit this time of £712,000 (£156,000 charge) which related mainly to the profit on sale of Reuters' "B" shares, less provision for tax thereon.

Rexmore

WITH SECOND HALF profits dropping from £362,000 to £243,000, Rexmore, fabric supplier and distributor, has announced a lower pre-tax result for the year to end-March 1985, of £513,000, against £647,000 previously.

Turnover for the year increased by nearly 12 per cent to £29.96m (£26.78m), generating an operating profit of £899,000, against £807,000.

The pre-tax result was struck after a lower £237,000 (£279,000) from the related companies, and higher interest charges of £623,000 (£439,000).

Stated net earnings per 25p share emerged down from 4.69p to 0.36p, and on a nil basis at 1.99p, and in view of this the directors feel it is prudent to scale down the annual dividend to 1p (1.46p), with a 0.33p final.

In the first quarter of the current year they say that the group's trading divisions have shown further progress.

There was an extraordinary debit of £467,000 (credit £47,000) being primarily the loss on disposal of House of Friedland of £332,000, and the share of the extraordinary items of related companies of £119,000.

Parkfield rises in second half

SECOND-HALF profits of Parkfield Group, have shown an appreciable increase, as expected. They amount to £378,000 and mainly stem from the rationalisation programme and a generally improved level of sales.

They give a profit of £488,000 for the year ended April 27, 1985, compared with losses of £65,000 in 1983-84 and £206,000 in the preceding year. However, there is an exceptional charge of £114,000 this time being nonrecurring costs and writeoffs relating to inferior quality coke delivered from abroad during the miners' strike, bringing the profits down to £374,000.

After a return to dividend with the 0.8p interim, the directors have decided on a final of 1.6p net. Mr Roger Felber, chairman, says the cover is not as great as he would expect in future, but since the acquisition of Foster Electrical Supplies (in May) produced an increase in distributable reserves of more than 10p per share, the directors feel this dividend is appropriate.

In the current year the foundry operation has started very well, says the chairman, and, with some contribution from Foster, he is confident of further growth in profits for the first half.

Mr Felber says the acquisition of Foster (from Thorn EMI) was met by the issue of 455,730 shares and the arrangement to repay £1.63m of inter-company borrowings. At the year end group liquidity was some £520,000 so some short-term borrowings had to be created to make the repayment.

The chairman says he is confident that during the current year "we will generate sufficient cash flow from our operations so as to again have a positive cash position with no net borrowings at the end of this financial year."

In the year ended March 31 1985 Foster made an operating profit of only £60,000 (before exceptional items) from a turnover of £10.5m, compared with a profit of over £700,000 on a slightly smaller turnover just four years ago. "We believe that Foster will make a rapid recovery in profits which we will start to see this year and the 9 per cent equity dilution arising from this acquisition will result in a valuable increase in earnings per share."

After tax £106,000 (£12,000 credit) the Parkfield group net profit comes out at £269,000 (loss £53,000) for earnings of 5.06p (deficit 1.12p). There are also extraordinary charges of £38,000 (£8,000) net of tax for redundancies. The dividend cost is £135,000.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Chloride—On July 18 Sir M. Edwardes, a director, purchased 50,0000 ordinary shares at 37p and 50,000 ordinary shares at 43p.

J. Rothschild Holdings—Mr N. Taube, a director, has acquired 100,000 ordinary shares at 98½p and Mr H. Stanton, also a director, has acquired 20,000 ordinary shares at 98½p on July 18.

Laporte Industries (Holdings)—Mr K. J. Minton, director, exercised his options under the directors' interest in securities of the company in respect of 45,116 ordinary at 70p.

W. M. Morris Fine Arts—Mr D. Vallance reduced his shareholding by 237,495 shares to 200,000. He is managing director of subsidiary Morris Singer Foundry.

Imperial Group—J. M. Pickard, a director, through Michael Pickard Ltd, acquired 25,000 ordinary shares and now holds 126,100 ordinary shares.

Robert Horne Group—Mrs E. J. Davenport, wife of director M. C. Davenport, sold 65,000 'A' ordinary on July 12 at 140p.

Marks and Spencer—S. J. Sacher, director, disposed of 50,000 ordinary.

Hawley Group — Chase Nominees is the registered holder of 12,585,382 ordinary in company (6.5 per cent).

Home Charm Group — On July 12, Mr L. S. Glanfield, a director, disposed of 50,000 shares at 322p.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
APV	Aug 23	Interim 4.5	Nottingham Mfg.	July 23	Interim 1.45
BBA	Aug 23	Interim 0.84	Ocean Transport	Aug 1	Interim 2.15
*Barclays	Aug 1	Interim 12.5	Prop Sec Inv Tst	Aug 8	Final 1.6
Blagden Inds.	Aug 20	Interim 3.6	Queens Moat Houses	Aug 23	Interim 0.665
Blue Circle Industs	Aug 23	Interim 6.0	Royal Dutch Pet.	Aug 8	Interim due
BSR	Aug 15	Interim 0.385	*Royal Insurance	Aug 16	Interim 8.75
Cadbury Schweppes	Aug 23	Interim 1.6	Securicor	Aug 16	Interim 0.49
*Commercial Union	Aug 14	Interim due	*STC	Aug 10	Interim 3.25
*Corah	Aug 15	Interim 1.6	Shell Transport	Aug 9	Interim 11.3
*De Beers	Aug 20	Interim 12½c	Smith and Nephew	Aug 14	Interim 1.4
*Dee Corpn	Aug 8	Final 3	Smith (W. H.)	Aug 22	Final 1.171
*Dowty	July 24	Final 2.8	Standard Chartered	Aug 21	Interim 9.6
Erce Intl	Aug 23	Interim 4.25	Stock Conversion	Aug 13	Final 3.5
General Accident	Aug 15	Interim 8	*TI	Aug 8	Interim 5
Glynwed Int	Aug 6	Interim 3.25	Wagon Finance	Aug 24	Interim 0.875
*GKN	Aug 7	Interim 4			
Horizon Travel	Aug 22	Interim 0.88			
*ICI	July 25	Interim 12			
*Lex Service	July 26	Interim 4.1			
*Lloyds Bank	Aug 2	Interim 9.5			
*Mercantile House	July 31	Final 8.25			
*Midland Bk	Aug 1	Interim 11			
*NatWest	July 30	Interim 12.0			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
§58	F.P.	2/8	60	58	✤ATA Selection 5p	58	...	bg1.5	2.6	5.8	11.0
180	F.P.	2/8	235	223	Abbey Life 5p	226	−1	b6.6	—	4.1	—
§138	F.P.	2/8	140	130	✤Appletree 10p	135	...	b2.5	3.8	2.6	14.5
50	F.P.	13/8	50	48½	Baltic G'f'd Shin Hpn.	48½	−½	—	—	—	—
§75	F.P.	24/7	87	78	✤Blanchards 10p	85	+1	b2.1	1.6	3.5	15.7
170	F.P.	—	172	165	Bradstock 5p	172	+2	bg5.25	2.4	4.4	14.5
130	200	24/7	134	99	Brent Walker 10p	110	−2	b3.5	2.9	4.5	8.5
575	F.P.	10/8	255	147	British Aerospace 50p	148	−2	15.65	3.1	6.0	6.0
‖	F.P.	—	48	43	✤Cannon Street Invs.	45	...	—	—	—	18.2
**	F.P.	12/7	12	8	Clive Discount Wrrts.	8		—	—	—	—
‖	F.P.	—	100	100	✤CobraEmer'ldMines	100		—	—	—	—
170	F.P.	12/7	80	74½	✤Cranbrook Elect. 5p	78		b1.6	6.9	2.7	18.2
**	F.P.	—	105	105	Expln. Co. Louisiana	105		—	—	—	—
§140	F.P.	—	160	152	✤FKB Group 5p	155	−1	1.75	5.2	1.6	27.7
160	F.P.	26/7	120	100	First Security 10p	100	−5	u3.6	2.6	6.0	9.0
§88	F.P.	2/8	90	79	✤Goodhead Print 20p	79		b3.0	3.2	5.4	8.7
Ir.97	F.P.	26/7	77	68	Green Property Ir. 50	68		12.575	1.5	5.6	15.7
‖	F.P.	—	650	580	✤Heavitree Brewery	590		10.75	1.9	3.9	18.2
‖	F.P.	—	450	370	Do.'A' Lim. Vtg.Ord.	380		10.75	1.9	4.0	18.3
140	F.P.	12/7	156	125	IBL 10p	140	+3	g1.3	5.5	1.2	16.8
§123	F.P.	—	168	136	Isotron	165		bg1.25	5.9	1.1	21.9
**	F.P.	—	47	44	London Tst. Wrrts	46½	+½	—	—	—	—
§44	F.P.	—	55	48	✤Micha'l J Design 5p	46		1.0	3.6	5.1	12.8
130	F.P.	26/7	115	100	Micro Scope 10p	100		b1.5	4.2	2.1	14.0
50	F.P.	26/7	60½	42½	Nordic Inv. Trust 10p	42½	−½	—	—	—	—
§170	F.P.	9/8	170	140	✤Pacer Systems $0.01	140	−5	bg4.3c	—	2.2	—
41	F.P.	2/7	47½	36	✤PerkinsJ.Meats10p	36		b.g1.6	2.0	7.1	8.5
§92	F.P.	2/8	117	102	✤Polypipe 10p	115	+5	b2.9	2.7	3.6	14.4
§138	F.P.	12/7	142	126	✤Prontaprint 10p	127	+1	b1.8	3.7	2.0	22.7
116	F.P.	21/8	125	105	Salvesen Christian	124	+1	2.675	2.2	5.3	11.4
160	F.P.	—	125	105	✤Sapphire Petm.50p	105		—	—	—	—
‖	F.P.	12/7	425	305	Sturge Hldgs 20p	335	+5	b6.0	2.4	2.6	21.2
§73	F.P.	—	77	74	✤Trilion 10p	77	+1	bg1.1	4.2	2.0	14.3
95	F.P.	12/5	115	82	✤Wold 5p	85	+1	u2.3	2.7	5.5	12.0

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
**	F.P.	—	97½	86½	Boddingtons 4½% Cv. Uns. Ln. 2000/05	95½	...
‖	Nil	—	¼pm	¼pm	C. H. Industls. 7% Cnv. Cum. Red. Prf.	¼pm	
‖ ‖	F.P.	—	198	190	✤Cannon St.Invs. 7.7%Cv.Cm.RdPf'94-8	190	
‖	F.P.	12/8	101p	94p	Euro. Ferries 6.75% Cv. Rd. Cum. Prf.	95p	
50p	‖	[illegible]	45½p	41p	Hanson Tst. 5.75% Cnv. Cum. Red. Prf	43½	−1
98.466	£30	—	50¼	30	Intl. Bk. for Rec. & Dev. 9½% Ln. 2010	30	
‖	Nil	—	1½pm	1pm	Juliana's 7½% Cnv. Uns. Ln. 2000-02	1pm	−¼
§99.026	F.P.	—	100½	100	Lowland Inv. 11¼% Deb. 2010	100	
§30.705	£30	6/9	35½	29½	Malaysia 10¾% Ln. 2009	33½	−⅛
99.92	F.P.	26/7	104	100	Mansfield Brewery 11½% Deb. 2010	103¼	−¼
—	F.P.	—	100⅛	100	Nationwide Bldg. Soc. 12¾% 30.6.86	100⅛	.....
—	F.P.	—	100⅛	100⅛	Do. 11⅞% Bds. 21/7/86	100⅛	.....
100	F.P.	—	118	108½	Oldham Met. Borough 12.4% Rd. 2022	111½	+½
**	F.P.	26/7	125p	121p	Port. & Sund. 10½% 2nd. Cum. Prf.	125p	....
§100	F.P.	—	11¼	10¾	Sund. & S.Sh'ies.Wtr.11.8%Rd.Db.'95-97	11	−¼
§100	F.P.	—	11½	10¾	West Hampshire Wtr.11.8% Rd.Db.'95-97	11	−¼
§100	F.P.	—	11½	10¾	York Wtr. 11.8% Red. Deb. 1996/97	11	−¼

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
165	Nil	13/9	15pm	5pm	Baker Perkins 50p	10pm	+5
35	F.P.	16/8	57½	30	✤Bio-Isolates	36	
145	F.P.	2/8	176	160	✤Blue Arrow	165	...
100	Nil	—	2pm	1pm	✤Cobra Emerald Mines	1pm	....
185	100	28/10	183	99	Hanson Trust	104	.....
310	Nil	—	410pm	390pm	Hazlewood Foods 20p	390pm	
260	F.P.	6/8	226	265	London United 20p	276	+2
285	F.P.	9/8	315	297½	Mills & Allen	315	....
77	Nil	—	¾pm	¼pm	New Cavendish 5p	¼pm	.....
180	Nil	—	8pm	4pm	Prestwich	6pm	.....
180	F.P.	—	127½	180	Sunlight Service 10p	180	.....
600	F.P.	20/8	700	645	Union Discount £1	675	.....
A$1.25	Nil	—	5pm	3pm	♥Woodside Pet. A$0.50	4pm	.. ..

Renunciation date usually last day for dealing free of stamp duty. δ Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‖ Introduction. ✤ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

RALPH HALPERN

CHAIRMAN BURTON GROUP PLC

A retail organisation with 1200 stores nati

1977-80	Took over management of Burton - lc
	Market segmentation philosophy imp through precisely targetted chains Top Shop, Top Man, Evans
	Lifted share price from equivalent of 14p to 450p on Friday.
1979-85	Acquisition of Dorothy Perkins, Studio, Harry Fenton. Development of Principles for men and women.
1978-85	Developed one of the strongest teams of retailing executives in the UK. Over 200 highly trained and motivated managers producing excellent performances.
	Introduction and appreciation of good design in systems, distribution, merchandise manufacturing, shop development: incentive schemes for all staff introduced.
1984	"Personal Account" becomes one of Britain's largest and most successful retail credit cards: one million plus active card holders
	Over £220 million property assets managed. All retail divisions pay market rents. Over 300 branches added to chains during last 60 months.

SIR TERENCE CONRAN

CHAIRMAN HABITAT MOTHERCARE PLC

A Group having 495 stores in the UK and 255 ir the world as at March 1985

1964	First Habitat store opens in London'
1971	Conran Associates Design Consultancy
1973	Habitat opens in France. Conran shop London.
1975	Habitat Belgium launched.
1976	Habitat Profit Linked Share Plan for employees: one of the first of its kind in this country.
1977	Conran Stores Inc established in USA
1981	Habitat goes public.
1982	Habitat and Mothercare merge: today 750 stores in 14 countries.
1983	Habitat-Mothercare buys Heals; acquires 48% stake in Richard Shops; Mothercare launches 'NOW', a chain of young fashion shops.
985	Conran Design Group becomes the largest design consultancy in the world.
	Acquires stake in FNAC

Before you give them the top jobs at Debenhams, study their CVs.

Shareholders seldom have the opportunity to select staff for the companies in which their money is invested.

That's normally a job for the Personnel Department.

But not this time.

As a Debenhams shareholder you can now have a say in two appointments that will directly influence the fortunes of your company.

And, indeed, your own fortune.

Should you stick with the Debenhams management, whose performance over the last 10 years can only be described as lacklustre?

Or should you get two of the most capable men in British retailing working for you?

Ralph Halpern led the team that transformed the Burton Group.

Once an outdated and unprofitable outfitters, it's now one of the High Street's most successful retailers, with an unbroken string of increasing profits as proof.

And Sir Terence Conran, chairman of Habitat/Mothercare, has time and again shown the dramatic effect innovative design has at the till.

What these men did for their shareholders, they can do for you.

All you have to do is fill in your form of acceptance and give them the opportunity.

With Halpern and Conran there will be life after Debenhams.

UK COMPANY NEWS

Tiphook comes back with offer to raise £4.35m

BY LUCY KELLAWAY

THE Tiphook offer for sale, which was aborted last month in the face of dreadful conditions in the issue market, is now going ahead.

Barclays Merchant Bank is offering 5.5m ordinary shares at 110p each, which the bank describes as "slightly lower" than the price originally planned.

The offer represents nearly 40 per cent of the company, which is capitalised at £15.4m, and will raise £4.35m in new money. This will be used to reduce borrowings and as a basis for further expansion.

Tiphook is the largest container rental comapny in the UK, and among the 20 largest in the world. Via Adamsons, which it bought in 1984 from Acrow's receivers, Tiphook is also the biggest UK manufacturer of containers. The company's third major plank of business is renting trailers, of which it currently owns a fleet of 1,770.

Tiphook has achieved rapid and unbroken growth in both turnover and profits in the last five years, lifting sales from about £1m in 1981 to £14m in the year to March 1985, and profits from £66,000 to £1.7m over the same period.

While the company says that it is too early to make a forecast for the current year, it is confident that the "excellent progress" made in the past will continue.

At the offer price, the shares are on an historic p/e multiple of 9.6 assuming a nil tax charge. The company says that it has enough offsetable capital allowances to enable it to avoid paying tax for the foreseeable future. An anticipated annual dividend of 3.73p would give the shares a yield of 4.8 per cent.

The application list opens on July 25 and dealings begin on July 31.

● comment

Tiphook is pitching itself into a market that looks no happier than the one it shunned three weeks ago, with investors still reluctant to go for anything but the most keenly priced issues. Tiphook may just pass the test so long as the market does not confuse it with those controversial container leasing operations which did not earn their promised dazzling returns for private investors. Tiphook, on the other hand, seems to be a well managed company with an impressive growth record. By providing a complete and flexible service on the routes it operates it is at least holding its own against larger U.S. competitors. It has also turned around Adamson with encouraging speed and is thrusting ahead with further expansion plans. There are, however, two black spots on the horizon. First, with 90 per cent of container leasing revenue in dollars, the company's profits may look less glowing if the U.S. currency continues to fall. Secondly, gloomsters in the industry are forecasting overcapacity among the container operators which may not bode well for the leasing companies a year or two from now.

Thorpac lower at £75,000

COSTS OF developing the microwave cookware range and the high charge for borrowing have cut the benefits of increasing sales at the Thorpac Group in the year ended March 31 1985.

Group sales rose substantially from £2.83m to £4.11m and gross profit showed some increase to £1.18m (£976,000). But after higher distribution and administration costs, and interest charges of £105,000 (£37,000), the pre-tax profit shows a reduction from £106,000 to £75,000.

Earnings of this USM stock are a little better at 2.2p (2p) per share, and the final dividend is again 1p for a 2p net total.

The group supplies freezer packaging and accessories, but has recently been concentrating on expanding into the microwave cookware and accessories business.

Already in the current year sales have substantially exceeded the equivalent period of last year, and the directors have every confidence that this trend will continue.

As to the effect of development costs and interest charges, they are addressing the problems and are confident that profitability will be restored to satisfactory levels.

F.T. Share Information

The following securities have been added to the Share Information Service: IBL (Section: Electricals), Intercontinental Energy (Oil and Gas), Stormgard (Drapery and Stores), Wold (Food, Groceries).

Penny and Giles beats forecast with 32% rise

Penny and Giles International lifted pre-tax profits by 32 per cent from £937,000 to £1.24m for the year ended March 31 1985. The result exceeded the board's forecast of £1.075m made in last December's prospectus at the time of the company's USM placing.

Arising from the increased profitability, the board is paying a final dividend of 1.35p, which is 0.14p more than forecast. Stated earnings per share improved from 8.38p to 8.59p.

Turnover of the company—a maker of advanced measurement and control instruments—advanced from £11.61m to £14.17m. Exports accounted for £3.54m (£2.41m).

The directors believe the company's diverse outlets ensure that its profits are not influenced adversely by the factors that have been affecting areas of the computer and electronics industries, which are currently out of favour with investors.

The current order position, both in terms of volume and value, shows a marked increase compared with the same period of the previous year.

Although the directors say it would be premature to comment on the precise outcome for 1986, they are confident that the company's growth will continue.

The improvement in 1984-85 results reflects their opinion that the company had continued to consolidate its position in the measurment and control industry.

Arising from the placing of shares in December, the company has financed a new factory for Penny and Giles data recorders, without increasing overall short term borrowings.

Tax charge was £499,000 (£231,000), of which £298,000 (£154,000) was current with the remainder deferred. Last year, there was also an extraordinary credit of £151,000.

Net asset value per share climbed from 56.9p to 67p at the year end.

COMPANY NEWS IN BRIEF

GLASGOW STOCKHOLDERS Trust returned virtually unchanged net revenue of £432,000, against £428,000, for the six months to end-June, 1985. Net asset value amounted to 134p per 25p at the end of the period compared with 108p a year previous. Earnings amounted to 1.27p (1.26p) and the interim dividend is being raised to 0.85p (0.75p). The directors expect to to at least match last year's final of 1.3p.

CARDIFF PROPERTY holding interim dividend at 0.6p net. In half year ended March 31 1985 turnover was £92,000 (£123,000) and pre-tax profit £5,000 (£17,000), downturn reflecting costs associated with high interest rates and drop in gross rentals following sale of a commercial property in Cardiff.

ATLANTIC Assets Trust increased its net asset value from 111.6p to 133.9p per share over the year ended June 30 1985, after prior charges at par. Income for year was £2.39m (£1.78m) and available for ordinary £966,000 (£730,000) equal to 0.79p (0.6p) per share. Dividend is 0.55p (0.5p). Included in net current assets is £11.42m unrealised appreciation on forward sale of $75m.

COMMERCIAL BANK of Wales has lifted pre-tax profits from £777,000 to a record interim £963,000 for the half year to end-June 1985. Interest took £4.23m (£3.03m), and tax £345,000 (£320,000). Stated net earnings per 25p share are 3.09p against an equivalent 2.28p.

TOPS ESTATES raised rental income from £64,000 to £178,000 and pre-tax profits from £34,000 to £62,000 in the year ended March 31, 1985. Earnings amounted to 0.924p (0.678p). The company came to the USM in January and is paying a dividend of 0.63p net.

RADIO CITY (Sound of Merseyside) has called of its bid for Marcher Sound, following a report on financial information relating to that company. The consideration was to be met by Radio City issuing shares, and some 57 per cent of the share and loan stock holders of Marcher had signified their willingness to accept.

ASHLEY INDUSTRIAL Trust made a pre-tax profit of £33,000 in the six months to March 31 1985 against a £157,000 loss last time which was after a £190,000 exceptional charge. The directors are confident the gradual recovery will continue. Turnover was £686,000 (£901,000) and earnings per 25p share came to 0.66p (3.05p). Plans are in hand for a capital reconstruction that will eliminate the deficit on the P and L account, restoring the board's ability to resume dividends when appropriate.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Finals—Murray Smaller Markets Trust, Northember.

FUTURE DATES

Interims—

Berkeley Technology	Aug 1
Commercial Union Assurance	Aug 14
Edinburgh American Assets Tst	July 25
Mount Charlotte Investments	July 24

Finals—

A & M Hire	July 24
Astra Industrial	July 25
OBE Technology	July 26
Gent (S. R.)	Oct 3
Watsham's	July 26
Wellman	July 25

THE WEEK IN THE COURTS

Customs officers under judicial fire for yacht seizure

IN MODERN times parliament has entrusted the Commissioners of Customs and Excise with extensive discretionary powers in relation to smuggled goods, doubtless in the secure knowledge that the powers would invariably be used both wisely and fairly. The decision of Mr Justice Forbes last Wednesday in *R v. Commissioners of Customs and Excise, ex parte Haworth* makes one wonder whether that trust has been misplaced. If so, parliament wil be pressed to limit the unbridled power now being exercised by Customs.

The case centred on section 152 of the Customs and Excise Management Act 1979, which is in terms similar to provisions dating back to 1878. The section provides that the commissioners "may, as they see fit" restore anything that has been properly forfeited or seized by customs officers.

An earlier section (section 141) gives the Customs the power to forfeit "any ship, aircraft, vehicle, animal, container or other whatsoever which has been used for the carriage" of smuggled goods.

The degree of trust reposed in the commissioners can be gauged by a quite extraordinary power given in another part of section 152. This provides that the commissioners may order any prisoner convicted of a customs offence to be discharged before the expiration of his or her term of imprisonment.

In November 1983 the Chancellor of the Exchequer was asked how often this power has been exercised in the last 30 years. Only one instance is recorded. A U.S. citizen was sentenced at Reading Crown Court in July 1978 to nine years' imprisonment for smuggling heroin into Britain. The U.S. Department of Justice sought his return to the U.S. to face charges and give evidence in a criminal prosecution.

He was released from his English prison the following month and taken by military aircraft to the U.S. As a result of his testimony 15 other persons were convicted on charges of smuggling heroin. He himself pleaded guilty and was sentenced to two years' imprisonment and put on probation for 10 years.

It is, of course, extraordinary that a public official should ever have the power to override a decision of the criminal courts; such a power is thought to reside exclusively with the Home Secretary, who exercises it with manifest restraint. While it is comforting to find only one recorded instance of the exercise of this power, the fact that it exists at all is disturbing. The more so since last week's case shows that the commissioners think that they are a law unto themselves.

In August 1983 a yacht, Trelawny J, was seen by the Padstow lifeboat without navigation lights off the coast of Padstow. Two men on board told the lifeboat that they had missed the tide into Padstow; the coxswain advised them to anchor round the head.

The next day the yacht sailed into Falmouth harbour where she was boarded by customs officers. Nothing was found. But later that day a black waterproof box, attached by a rope to an anchor, was recovered from the sea near Padstow at Mother Ivy's Bay by a holidaymaker fishing from a small boat. It contained 2.5 kilos of 100 per cent pure cocaine.

Customs investigation led to three people being charged with smuggling prohibited drugs. The yacht was seized from its owner, Mr Leonard Haworth, in his presence. Although he was arrested he was released on bail and was not subsequently charged. A Customs official noted then that Mr Haworth was "certainly involved in this importation. In the event of his not being charged it is recommended that restoration of the yacht *not* (the Customs officer's emphesis) be offered to him under any circumstances."

Subsequently Mr Haworth's solicitors wrote to the commissioners asking whether they would exercise their discretion under section 152 and return the yacht to Mr Haworth. The solicitors went on to ask whether the Customs considered their client was "anything other than the innocent owner of the yacht unconnected with the smuggling attempt; if it is alleged that he is connected with the smuggling which took place, would you provide grounds for the allegation?."

The response was less than satisfactory. The Customs said that no allegation of misconduct on Mr Haworth's part was to be implied in the criminal proceedings against the three men, but in the case of yachts and other means of carriage used for smuggling drugs it was the "Commissioner's normal policy not to offer restoration."

Mr Haworth had bought the yacht in August 1982 for £25,600 in France to avoid liability for VAT. In June 1983 Mr Haworth wanted to bring the boat back across the Atlantic, having sailed it out himself. A yachting colleague offered to sail it back and was given the ship's papers and keys to the yacht. Mr Haworth claimed that he had no knowledge of the smuggling.

It was the commissioners' policy in relation to smuggled goods that came under judicial fire. In the court proceedings the commissioners stated that "in the past they exercised their discretion in favour of the owners of such goods where it had been clearly established that the owner was free of any prior knowledge or complicity in the criminal act in question and had acted reasonably so as to, for example, not put his yacht or vehicle into the hands of strangers without making any inquiry." Of course, the commissioners emphasised, "the decision is based on its own facts." They added that they were not satisfied that Mr Haworth "was wholly innocent of any prior knowledge or of complicity in the criminal purposes" of the smugglers.

The gravamen of the judge's castigation of the commissioner's policy was the substitution of suspicion for proof of complicity, coupled with their reversing of the burden of proof. It was up to the yacht-owner to establish clearly—that is, not just on the balance of probabilities, but according to the higher standard of criminal proof—that he was free of any prior knowledge or complicity.

Mr Justice Forbes described such a policy as un-British, in that it automatically deprived the yacht-owner of his property rights and put the burden on him of dispelling suspicion where there was no evidence at all to implicate him in the smuggling.

The situation was compounded by the fact that the commissioners gave Mr Haworth no proper opportunity of refuting the suggestion that the circumstances surrounding the purchase of his yacht and his actions after the yacht arrived in Falmouth lent "credence to some degree of involvement" in the smuggling.

In a rather histrionic way Mr Justice Forbes has merely applied the presumption that courts make when parliament is silent. Judges presume that Acts of parliament are intended to operate justly. If parliament is silent "the justice of the common law will supply the omissions of the legislature." The more readily so when the judges see that the administration is in fact acting unfairly.

Justinian

Associated Newspapers Holdings p.l.c.

Half-year ended 31st March, 1985

Year ended 30th September, 1984 £ million		Half-year ended 31st March 1985 £ million Unaudited	1984 £ million Unaudited
357.8	**Turnover**	205.1	173.9
18.8	Trading profit	9.9	6.5
1.2	Share of profits of related companies	1.9	0.7
3.0	Income from other fixed asset investments	2.1	1.4
1.7	Net interest receivable	0.9	0.1
—	Profits from sale of properties	1.7	—
(1.3)	Amounts written off investments	(0.1)	—
23.4	**Profit before taxation**	16.4	8.7
(4.9)	Taxation	(7.7)	(3.2)
18.5	**Profit after taxation**	8.7	5.5
(1.2)	Interest of minority shareholders	(0.4)	(0.6)
17.9	Extraordinary items	—	—
35.2	**Group profit for the period**	8.3	4.9
4.3	**Dividends**	1.7	1.4
56.9p	**Earnings per share**	27.6p	16.1p

1. The figures for the year ended 30th September, 1984 are abridged from the accounts for that year which received an unqualified report from the Company's auditors and which have been delivered to the Registrar of Companies.

2. Results for previous periods have been restated to reflect changes in group accounting policies for goodwill and the capitalisation of interest.

The profit before taxation for the half year was £16.4 million (1984 £8.7 million), after crediting profits on disposal of properties of £1.7 million (1984 £nil).

Improvements in the performance of the Daily Mail and The Mail on Sunday, which should continue in the second half-year, contributed to the group's increased trading profits.

Provincial newspapers' trading profits were similar to last year, although profits for the full year will be adversely affected by recent NGA industrial action.

Euromoney produced improved results and expanded its services to the banking community. Profits from The 13-30 Group in the U.S. also showed a marked increase. Both should show a similar improvement in the full year.

Profits for the half-year from Blackfriars Oil Co fell slightly owing to a lower contribution from the Argyll Field. Full year profits may show a decline for the same reason, as well as reflecting a high level of exploration expenditure. First gas was extracted from the Esmond Field on 1st June, 1985, since when full production tests have been successfully accomplished.

Increased dividends were received from the investment in the Canadian forestry products company, Consolidated-Bathurst.

An increased interim dividend of 5.50 pence (1984 4.50 pence) per share has been declared by the Directors and will be paid on 22nd August, 1985 to shareholders on the register at the close of business on 25th July, 1985.

City of Copenhagen

$15,000,000 9 per cent
15 Year External Loan of 1970

FINAL REDEMPTION OF BONDS

Morgan Grenfell & Co Limited hereby gives notice that the balance of 2,000 Bonds of nominal value of $1,000 each are repayable at par from 1st October, 1985 at the offices of any of the Paying Agents for the Loan.

The under-mentioned Bonds which were drawn for previous redemptions have not yet been presented for payment:—

1st October, 1975 Redemption
9345

1st October, 1977 Redemption
9346

1st October, 1978 Redemption
8394 8395

1st October, 1983 Redemption

230	231	736	1829	2059	2956	3251	3258	4892	5482	5506	5507
5625	6872	8795	8796	8801	9412	9413	9418	9417	9426	9481	9798

1st October, 1984 Redemption

447	1048	1057	1059	1300	1301	1302	1754	1755	1767	1768	1882
2082	2168	2851	2885	2886	2887	2939	2943	2948	2950	2951	2952
2553	2957	3023	3307	3308	3309	3311	3314	3422	3509	3510	3511
3514	3850	3926	3927	3932	4036	4037	4232	4233	4248	4249	4255
4269	4364	4365	4959	4960	5626	5628	5826	5634	5635	5108	6400
7669	7862	8396	8397	8704	8706	8707	8876	8880	8881	8882	8921
8922	8923	8924	8963	8964	8977	8980	8981	8983	8991	8992	9000
9009	9011	9012	9147	9361	9430	9452	9456	9457	9482	9483	9529
10008	13141	14375									

NOTE: Any of the above Bonds, with relative Coupons attached, presented in the United Kingdom should be lodged for payment in London with:

Morgan Grenfell & Co. Limited,
21 Austin Friars,
London EC2N 2HB

or

Hambros Bank Limited,
41 Bishopsgate,
London EC2P 2AA.

The usual interval of four clear days will be required for examination.

Office of Morgan Grenfell & Co. Limited

22nd July, 1985.

FINANCIAL TIMES STOCK INDICES

	July 19	July 18	July 17	July 16	July 15	July 12	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.08	83.39	83.56	83.18	83.12	82.89	83.56	78.02	127.4	40.0
Fixed Interest	88.15	88.26	88.00	87.66	87.50	87.58	88.26	83.17	160.4	60.0
Ordinary	935.4	938.8	933.5	922.7	937.2	921.5	1024.5	923.7	1024.5	40.0
Gold Mines	404.9	407.8	410.8	399.0	399.5	392.4	536.9	392.4	734.7	43.4
FT-Act All-Share	605.22	602.04	600.90	597.11	598.08	593.21	644.21	581.88	644.21	61.29
FT-SE100	1252.6	1248.5	1247.5	1232.5	1243.3	1230.3	1324.4	1206.1	1342.4	985.3

Over-the-Counter Market

Capitalisation £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,680	Ass. Brit. Ind. Ord.	135	—	6.8	4.0	7.6	8.9
—	Ass. Brit. Ind. CULS	138	—	10.0	7.2	—	—
2,547	Airsprung Group	44xd	—	8.4	14.5	7.3	9.8
900	Armitage and Rhodes	36	—	2.8	8.1	4.5	7.5
48,246	Bardon Hill	158xd	+3	4.0	2.5	20.0	20.8
3,410	Bray Technologies	52	−2	3.9	6.3	7.6	8.7
567	CCL Ordinary	152	—	12.0	7.4	4.0	3.8
1,312	CCL 11pc Conv. Pref.	105	—	15.7	14.2	—	—
7,787	Carborundum Ord.	130	—	4.9	3.8	6.4	10.1
623	Carborundum 7.5pc Pf.	89	+1	10.7	12.0	—	—
3,767	Deborah Services	48	+2	8.5	13.5	4.8	7.4
29,082	Frank Horsell	457xd	—	1.4	0.3	11.7	16.0
—	Frank Horsell Pr.Ord.87	360xd	−8	11.9	3.3	9.3	11.9
3,758	Frederick Parker	28	—	—	—	—	—
1,215	George Blair	66	+1	—	—	4.4	8.9
812	Ind. Precision Castings	20	—	2.7	13.5	5.5	5.9
14,339	Isis Group	180	—	15.0	8.3	13.8	26.5
5,520	Jackson Group	106	—	5.5	5.2	7.1	7.1
32,725	James Burrough	230	+2	15.0	6.4	7.4	7.4
3,189	James Burrough 9pcPf.	92	+3	12.9	14.0	—	—
2,274	John Howard and Co.	89	—	5.0	5.6	7.1	11.1
3,612	Linguaphone Ord.	214	—	—	—	7.9	8.2
—	Linguaphone 10.5pc Pf.	95		15.0	15.8	—	—
15,539	Minihouse Holding NV	590	+1	5.8	1.2	25.8	24.5
663	Robert Jenkins	66	−10	5.0	7.7	—	—
1,320	Scruttons "A"	32	−1	—	—	—	6.5
1,830	Torday and Carlisle	75	−1	5.0	8.7	3.8	6.9
1,473	Travian Holdings	325	—	4.3	1.3	18.6	18.2
4,710	Unilock Holdings	30	—	1.3	4.3	14.8	21.0
13,433	Walter Alexander	105	+2	7.5	7.1	7.9	11.3
5,134	W. S. Yeates	220	—	17.4	7.9	6.3	10.5

Prices and details of services now available on Prestel, page 48146

INTERNATIONAL APPOINTMENTS

Wang succession question after Cunningham quits

BY PAUL TAYLOR IN NEW YORK

MR JOHN F. CUNNINGHAM, 42, has resigned as president and chief operating officer of Wang Laboratories, a leading U.S. office equipment group. The surprise move, which follows a recent sharp deterioration in Wang's performance, again throws into question the management succession at the Lowell, Massachussets-based group.

The company said Mr An Wang, the 65-year-old founder, chairman and chief executive of the group, will reassume the presidency, a position he held for more than 30 years until Mr Cunningham was appointed two years ago. Wang said: "No further organisational changes are planned."

Mr Cunningham, who had worked at Wang for 18 years, was widely regarded as the driving force behind Wang's highly successful marketing and promotion efforts. His promotion to the number two job at Wang in January, 1983 was warmly welcomed on Wall Street at the time, because he was viewed as a possible successor to Mr An Wang in competition with other senior Wang executives, including Frederick Wang, son of the founder and the group's executive vice president and chief development officer.

Mr Cunningham resigned the president's job to become Chairman and chief executive of Computer Consoles, a smaller company, and said it was "with regret and excitement" that he was quitting Wang. He will remain a Wang director. Commenting on the move, Mr An Wang praised Mr Cunningham's contribution to the group and said: "We wish John well in his new endeavour and look forward to his continuing counsel as hotb a friend and board member.

Wang Laboratories had, until recently, grown at a meteoric pace, with revenues rising to almost $2.2bn in the 1984 fiscal year. However, the group's rapid growth came to an ahrupt end earlier this year as sales plunged and the company warned that it expects to report a loss for the fiscal fourth quarter ending June 30.

GPA gives extra job to Ryan

By Donald Maclean

MR TONY RYAN took over at the beginning of the month as chairman of the GPA Group (formerly Guinness Peat Aviation), which claims world leadership in leasing and remarketing of commercial jet aircraft, on the back of a near-fourfold growth in group net profits, revenue and gross assets in four years.

He moves into the additional job (he was already chief executive) at the ten-year-old group, owned by the UK Guinness Mahon banking and commodity broking concern, Aer Lingus, the Irish flagcarrier, Air Canada, and General Electric of the U.S., as to 22.7 per cent apiece, and to 9.2 per cent by Mr Ryan, at a time when it is committed to replacing old aircraft with new. He takes over as chairman from Mr Geoffrey Knight.

Mr Tony Ryan, takes the chair

GPA—aiming to expand its worldwide operations — claimed in March the largest financial package ever to be arranged by an Irish commercial company on the London market, when an evergreen syndicated revolving credit facility for $135m, assuring GPA of funds for six years at any time, was arranged.

GPA, with offices, apart from those at Shannon; Stamford, Conn; London; and Hong Kong, has—when new aircraft on order and on option are included—a portfolio of 86 commercial jet aircraft, worth some $1.5bn.

Arne Olson new chief at Volvo Bus

By Our Financial Staff

MR STIG ARNE OLSON, the new president and chief executive of the Volvo Bus Corporation of Sweden, has been appointed president and chief executive of Volvo BM AB, succeeding Mr Eric Johanson, managing director and chief executive of VME Construction Equipment Group N.V.

This follows the merger between Volvo BM AB, the construction equipment division of the parent company, Volvo, and Clark Michigan Company of the U.S., the construction equipment subsidiary of Clark Equipment. The 50-50 vehicle for the venture, VME Construction Equipment Group NV, registered in Holland, offers a challenge to the wheeled, loader and dump truck sectors of Caterpillar of the U.S. and Komatsu of Japan.

Initially he will supervise the marketing division of Volvo BM until a new senior vice-president marketing has been appointed as a successor to Mr Lennart Söderberg. Mr Söderberg has been appointed senior vice-president marketing of VME Construction Equipment.

Mr Harry Bäckström, who was senior vice-president, product development, has taken up the position of senior vice-president, manufacturing, succeding Mr Alan Wärnsäter.

The new senior vice-president for product development at Volvo BM is Mr Ove Danerlöv.

Emhart names Gately at new products group

BY OUR FINANCIAL STAFF

MR THOMAS GATELY, 54, has been appointed president of a new product group set up by Emhart Corporation, the U.S. multinational company which is expanding its electronic and consumer product hase.

He will be responsible for Emhart's Fastening Systems Group, comprising chemical fasteners such as the Bostik adhesives range with mechanical ones like POP rivets

Mr William C. Lichtenfels, Emhart's president and chief operating officer, says the new group has been set up to streamline the manufacture and sale of two distict products with common functions.

Adhesives and fasteners contributed $463m to Emhart's annual turnover of £1.8bn and some $55bn to the company's profits in 1984 of $90.4m.

Emhart has British operations including Bostik and BUSM Company in Leicester, and manufactures machinery for the footwear, glass container and rubber and plastics processing industries.

In the past two months it has acquired two U.S. concerns, Mite Corporation a fastener company for $125m and Arcotronics, a capacitor manufacturer for $63m.

* * *

NORWEST CORPORATION, the Minneapolis-based multistate bank holding company that banks, in the top 20 in the U.S., has announced that Mr P. Johnson, who became president and chief executive officer in March has been elected to the additiaonal post of chaiman.

He succeeds, as chairman, Mr John W. Morrison, 63, who resigned after serving in that position since 1981. Mr Morrison will continue as a director until the next stockholders' meeting April 1986.

* * *

AMERICAN CENTURY Corporation has made Mr Robert Harrison president and chief operating officer. He was executive-president and chief financial officer of the Texas Savings and Loan Holding Company. Mr John Kerr, chairman and chief executive officer, had held the positions of president and chairman.

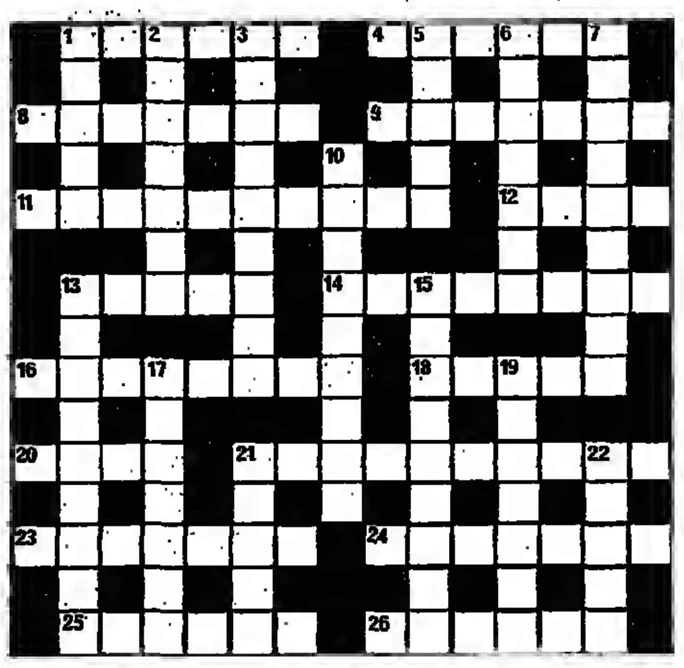
* * *

MOTOROLA, the electronic communications company, has promoted Mr Carl E. Lindholm to the newly created post of executive vice president, International Operations. Mr Gerhard Schulmeyer succeeds Mr Lindholm as general manager of Motorola's Automotive and Industrial Electronics Group.

* * *

MR ROBERT v.d. LUFT has become chairman of the supervisory board of Du Pont de Nemours (Deutschland), as well as chairman of Du Pont de Nemours International. This clarifies the story carried on July 8.

F.T. CROSSWORD PUZZLE NO. 5,775



ACROSS

1 Ladies' champion in quest for a mate (6)
4 Fair bird? (6)
8 Gets into bad shape (7)
9 Serious Eastern muddle (7)
11 There may be plenty of jumpers at these second-hand stalls (4, 6)
12 Has now moved South (4)
13 Fear father will come round again? (5)
14 Neighbouring state (8)
16 Drink calmed us when upset (8)
18 Vicar has no head for crime (5)
20 A shade better than the others (4)
21 Service no longer used by gunners (10)
23 Sorting out and putting away (7)
24 Left in a state of wretchedness, or very near (7)
25 Made a home for a good man in want (6)
26 Stable form of electricity (6)

DOWN

1 Use two joints on Sunday (5)
2 Era when men began forging ahead (4, 3)
3 Clumsy son of Noah passed over (3-6)
5 New paint is not suitable (5)
6 Bridge could be played for money (7)
7 Dawn of Japanese standardisation (6, 3)
10 Hide pirate, a mean fellow (9)
13 Score a game of darts (6, 3)
15 He teaches the student body (9)
17 They take pictures a hundred—a thousand—times (7)
19 A national topic of discussion (7)
21 Ocean-tossed paddle-boat (5)
22 Flower I ring up about (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday

UK APPOINTMENTS

Changes at Pilkington

Mr K. W. Appleton has been appointed director of personnel and external affairs for PILKINGTON BROTHERS. He succeeds Mr David Pilkington, who retires in October, and will be responsible for the personnel function worldwide. In addition, he is responsible for the Pilkington Group's external affairs including liaison with national and local government and trade unions. He will continue his present responsibility as director of group services. Mr Appleton will be succeeded as director of personnel relations by Mr John Gillespie, currently personnel director of glass fibres division. Mr Gillespie will be responsible for employee relations, training, pensions, senior management administration and co-ordination.

★

LONGTON STORAGE & TRANSPORT has appointed Mr L. B. Riley as managing director. He was previously operations director, Lowfield distribution.

★

CROWN HOUSE has appointed Mr Stephen Bodger as group financial director. He joined the group in March.

★

VIKING PACKAGING, a subsidiary of the Sevon Holdings Group, has appointed Mr Stewart Claxton as sales director responsible for reel film and general hag sales; and Mr Peter Crooch, as sales director for wicketted hag sales.

★

From September 1, Mr John Gordon becomes head of CAPEL-CURE MYERS corporate finance department. He is an executive Director of Jackson Exploration Inc where he will continue subsequent to this appointment as a non-executive director. Capel-Cude Myers is currently owned 29.9 per cent by Grindlays Bank who are 100 per cent owned by the ANZ Group. Capel-Cure Myers will form part of a new investment banking division being constructed by ANZ.

★

Mr J. R. Calder has been promoted to under secretary from September 26 to become director of statistics, INLAND REVENUE.

★

New secretary to the CONSTRUCTION INDUSTRY TRAINING BOARD is Mr John Adrian Reynolds, who has been head of secretariat/deputy secretary since 1978. He succeeds Mr Rusell Gardner who has retired.

★

Mr J. D. C. Hemsley has been re-elected for a second year as president of THE INSTITUTE OF METAL FINISHING, while Dr M. Clarke has been elected senior vice president and also president elect. Mr J. P. Biddolph has been made a vice president while the chairman of the education committee is Mr John Foster. Mr Bryan Fisher has been appointed honorary secretary general of the institute for four years. He is a process engineering specialist with the lighting division of Lucus Electrical, Cannock, and takes over from Mr Ron Read of Lucus Electrical, Shaftsmore Lane. Mr Read has been elected a vice president and has taken over as chairman of the events committee organising this year's diamond jubilee celebrations.

★

G.T. MANAGEMENT has appointed to the board of G.T. Management (UK) Mr Philip J. S. Gray as managing director and Mr Michael E. Hill and Mr Nicholas G. Timmins as directors.

★

Mr David Young has joined DATACTIC as a director.

★

TOWRY LAW has appointed Mr Khushroo Rustnn as director in charge of Towry Law (Channel Island). He remains a director of Towry Law and Co. The group has appointed Mr David Ainslie as a director of Towry Law Advisory Services.

★

Mr Richard Cotterell, a partner of Matthews and Goodman, City surveyors, has been co-opted to the board of the EAST SURREY BUILDING SOCIETY to fill the vacancy caused by the retirement of Mr G. G. Simmons.

★

MCLEOD RUSSEL has appointed Mr N. E. K. Openshaw as group managing director.

★

New chairman of the NATIONAL COMMITTEE FOR ELECTORAL REFORM is Mr Charles Morrison, Conservative MP for Devizes. His election follows the death of the previous chairman, Lord Harlech, earlier this year.

★

Mr Christopher Arnander has been appointed a director of BARCLAYS MERCHANT BANK. He will be responsible for formulating business development programes for Barclays de Zoete Wedd.

★

Mr Alan Brookes has been appointed financial director of HILSTONE DEVELOPMENTS, UK property development company of Bloomfield Management Co. He will also be financial director for Hilstone Developments International and for the newly-formed Fortress Group of companies, which are mainly involved in construction and the provision of building services. Prior to joining Hilstone, Mr Brookes was a deputy general manager of the Exeter-based London and Manchester Assurance Company.

★

Mr Michael Evans has replaced Mr Hyman Wolanski as manager of WYATT'S London office. Mr Evans retains his existing responsibility on the board of Wyatt for the offices outside the U.S. and Canada, and continues as managing director of the Wyatt Company (UK). Mr Wolanski will shortly be leaving to establish his own consulting firm.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth 0345 717373

High Income				
Gilts & Fixed Int.	112.7	119.9xd	−0.2	10.06
High Inc Equity	69.0	73.4xd	−0.1	6.74
Worldwide Bond	142.8	152.0	....	6.38
Capital Growth				
American Growth	135.8	144.5xd	−0.5	2.18
Asian Pacific	46.8	49.8	+0.5	2.51
Assets & Engs. Tt.	71.4	76.4	−0.3	2.93
Capital Reserve	58.1	58.4	+0.1	—
Commodity & Engy	68.4	73.5	..	3.37
European Capital	47.3	50.3	+0.3	2.98
General	99.4	106.3xd	−0.1	3.76
Japan	139.1	149.5	+0.2	—
UK Growth Acc Units	96.3	103.5	−0.4	—
UK Growth Dist.	67.7	72.8	−0.3	2.12
U.S. Emerging Co's	54.5	58.6	−0.1	0.44
Equitas Prog	153.5	164.1	...	3.72

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd.	102.8	110.0	+0.8	0.10
Pacific Fd.	117.5	125.7	.	0.29
Secured Income Fd.	137.4	147.0	+0.2	5.50
Special Sits	143.0	153.0	−1.1	1.56
Energy Fd.	31.6	33.8	−0.1	0.60
American Majors	57.2	61.2	+0.5	1.56
Small Co's Fd (10for1)	27.0	28.8	−0.1	1.97
Jap. Technology	50.0	53.5	+0.5	0.10
International Income	49.5	52.9	−0.1	7.00
Exempt	399.5	427.5	...	—

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
232, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	59.2	63.0	-0.1	3.60
Accum Units	87.6	93.2	-0.1	3.60
Pearl Inc.	85.2	90.6	+0.3	5.23
Pearl Unit Tst	88.3	93.9	-0.1	4.44
(Accum. Units)	149.3	158.8	+0.2	4.44

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	176.3	189.2	-0.4	1.53
Income	132.5	141.9	...	5.46
Worldwide Recovery	99.8	107.1	-0.2	2.14
American Growth	56.3	61.0	-0.9	0.68
Intl. Emerging Cos.	56.3	60.4	+0.3	0.79
Far East Growth Fd	45.9	49.3	-0.1	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	100.0	107.1	-0.3	0.29
Prolific Extra Inc	59.8	63.3	-0.2	6.46
Prolific Gilt Cap.	81.3	84.6	-0.3	3.24
Prolific High Inc	122.2	131.1	-0.3	5.76
Prolific Intl.	82.8	87.6	+0.2	1.86
Prolific N. Amer.	116.5	124.8		2.51
Prolific Spec. Sits	130.7	140.2	-0.2	1.73
Prolific Technology	101.2	108.3	-0.1	0.95

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	47.4	50.2	-0.9	0.00
Worldwide	47.2	52.0	-0.2	1.64
European Trust	48.2	51.1	+0.2	1.70
North American	49.3	52.2	-0.1	2.15
UK Equity	48.3	51.2	...	3.99

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

Holborn Equity Tst	306.3	325.8	-0.3	3.91
Holborn Gilt Tst	152.9	159.8	-0.7	0.82
Holborn High Inc	53.5	56.9xd	-0.1	7.59
Holborn Intl	58.8	62.1xd	-0.1	0.60
Holborn UK Growth	60.9	64.7	-0.1	3.84

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd	300.5	319.7	...	1.87
Quadrant Income	167.7	173.7xd	...	7.04
Quadrant Intl. Fund	289.4	304.7	...	1.56
Quadrant Recovery	185.6	197.5	...	3.61

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NV 01-629 6011

Wellington Inc	48.8	51.9	....	6.00
Wellington Growth	98.1	104.4	.	2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent. 0892 22271

British Life	127.9	135.2	+0.3	3.03
Reliance Unit Tst (Inc)	81.3	87.1	+0.2	4.85
Reliance Uk Tst (Acc)	105.1	112.3	+0.2	4.85

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. 061-236 5685

Income UT	87.6	93.0xd	-0.2	7.24
International UT	206.2	223.5xd	-0.2	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01-280 5456

NC America (Inc)	229.5	241.5xd	-0.5	1.38
NC America (Acc)	245.9	258.8xd	-0.5	1.38
NC Engy Res. Tst	151.7	159.6	-0.5	2.58
NC Inc Fd.	65.8	69.2	+0.1	3.15
NC Japan Fund	102.6	105.0	+0.4	0.02
NC Smaller Cos	100.6	105.8	-0.2	2.22
NC Smaller European	102.4	107.7	-0.2	0.81
NC Exempt Gilt Tst*	120.8	125.3	.	10.74
NC American Prop*	511.21	31.80xd	...	—
NC Prop.*	178.0	196.0	...	—

*Unauthorised Unit Trusts.

Rowan Unit Trust Mngt. (a)
1 Finsbury Av, London, EC2M 2PA. 01-606 1066

American July 18	180.5	192.5	...	1.58
Securities July 16	541.0	558.0	...	2.42
High Yield July 19	128.5	132.0	+0.5	5.95
Merlin July 17	263.0	271.0xd	...	1.09
Fixed Interest	152.5	153.5	...	2.80
High Interest	120.0	121.0xd	...	12.30
Far East July 2	115.5	119.0xd	...	1.16

Royal Life Fd. Mgmt. Ltd.
New Hall Place, Liverpool L69 3HS. 051-227 4422

Equity Trust	45.5	48.1	.	3.37
International Trust	53.7	57.1	+0.1	1.73
United States Trust	26.9	28.6		1.91
Pacific Basin	23.5	24.9	.	8.65
Gilt Trust	25.1	26.4xd	-0.1	8.03

Royal London Unit Tst Mgrs Ltd
Ryl. Ldn Hse., Colchester, CO1 1RA 0206 576115

American Growth	69.8	77.4xd	+0.3	1.20
Capital Accum	136.2	144.9xd	-0.1	2.45
Gilt Income	50.5	53.2xd	-0.1	9.60
High Income	54.5	58.0	-0.1	7.22
Income & Growth	63.5	67.6xd	-1.0	3.59
Japan Growth	47.8	50.0	-0.2	0.10
Special Sits.	74.1	78.9	-0.1	2.23

Royal Trust Can. Fd. Mgt. Ltd.
48-50, Cannon St, London EC4N 6LD. 01-236 6044

Capital Fund July 15	137.6	147.4	.	2.1
Income Fund July 15	117.0	125.1xd	.	6.60
Intl Exempt* June 28	122.84	23.67	.	2.90

*Unauthorised

SKG Management Limited
20 Copthall Ave, EC2R 7JS. 01-600 7595

Gilt Acc.	111.7	116.4	..	3.56
Do. Dist.	107.9	112.5	..	3.56
Inc & Grth ex Rowe	123.3	131.2	..	3.00
Do. Accum.	123.3	131.2	..	3.00

Save & Prosper Group
28, Western Rd., Romford, RM1 3LB.
68-73 Queen St. Edinburgh EH2 4NX.
(Romford) 0708-66966 or (Edin.) 031-226 7351

Capital	80.2	85.7xd	...	2.59
C.T.U.	64.8	69.3	...	3.33
Select International	56.4	60.3	.	2.87
Univ. Growth	61.6	65.5	...	2.29
High-Yield	116.4	123.8	..	5.86
Scotyield	114.1	121.3	..	4.72
Smaller Cos. Inc. Fd.	112.5	119.6	..	5.83
Gilt & Fxd. Int. Inc.	52.5	55.7	...	11.11
High Return	129.4	137.4xd	..	5.27
Income	73.2	77.8	..	7.23
Gilt & Fxd. Int. Grth	75.8	76.6	...	3.30
Scotshares	122.8	130.6	.	4.49
UK Equity	130.7	139.7	..	3.62
Amer Inc & Grth Fd (z)	61.1	65.3	...	7.88
European (z)	56.8	60.4	...	1.48
Japan (z)	46.5	49.4	...	—
Japan Smaller Cos (z)	64.5	71.1	..	—
S.E. Asia (z)	94.0	100.0	.	1.94
U.S. (z)	61.3	65.2	.	0.62
Commodity	50.4	53.6	.	2.87
Energy	48.4	51.4	...	2.83
Exploration Fund (z)	31.8	33.8	...	0.96
Financial Secs.	70.4	75.2	..	2.76
New Technology (z)	81.6	87.8	...	—
Scotbits	96.8	103.5xd	.	3.79
Special Situation Fd.	70.0	74.8xd	..	2.27
Intl. Bond Fd. (z)	85.0	90.4	..	5.95
Exempt Income*	60.7	63.6	..	6.35
Exempt Intl.*	49.4	51.8	...	3.44

*Prices on July 17

Schroder Unit Trust Managers Ltd.
Enterprise House, Portsmouth. 0705 827733

American	106.7	113.7	-0.2	1.66
(Accum Units)	108.1	115.2	-0.2	1.66
Australian	56.8	60.5	+0.3	1.39
(Accum Units)	60.2	64.1	+0.3	1.39
European	62.1	66.1	-0.1	1.71
(Accum Units)	63.0	67.1	-0.2	1.71
Extra Income Fd.	47.9	51.0	-0.1	7.54
(Accum Units)	47.9	51.0	-0.1	7.54
Gilt	53.4	56.3	+0.5	10.66
(Accum Units)	74.1	78.1	+0.6	10.66
Gold Fund Inc.	37.0	39.4	-0.6	3.81
(Accum Units)	38.0	40.5	-0.5	3.81
Income	123.6	131.7	.	6.06
(Accum Units)	265.4	282.9	....	6.06
Intnl.	79.7	84.9	....	0.65
(Acc. Units)	109.5	116.7	..	0.85
Jap. Smaller Cos.	64.5	68.7	-0.2	0.1
Singapore	55.7	59.3	+1.8	0.79
(Accum Units)	56.5	60.2	+1.8	0.79
Smaller Co's	97.7	104.1xd	....	1.89
(Accum Units)	101.4	108.1		1.88
Special Sits. Fd.	77.3	82.4	-0.3	1.21
(Accum. Units)	79.1	84.6	-0.3	1.53
Tokyo Inc	108.0	115.1	-0.2	0.38
(Accum Units)	108.8	115.9	-0.2	0.38
U.S. Smaller Cos. Fd.	48.2	51.3	-0.5	0.27
UK Equity†	75.2	80.1xd	+0.1	3.88
(Accum. Units)†	114.1	121.6	-0.1	3.88
*Pens. & Charity Fund	451.9	481.7	.	4.13
*Recovery	559.7	596.6	...	3.02
*Spec Ex.	884.9	943.3		1.94

*For tax exempt funds only. †After 5 for 1 Sub-Division.

Scottish Equitable Fund Mgrs. Ltd.
31 St Andrews Sq, Edinburgh 031-556 9101

Income Units	112.3	119.7	..	3.97
Accum. Units	162.6	175.0	..	3.97

Dealing day Wednesday.

Scottish Life Investments
19 St Andrew Sq, Edinburgh 031-225 2211

UK Equity	122.2	130.7	...	2.69
American	132.7	142.0	...	1.43
Pacific	96.0	102.7	...	0.10
European	120.6	129.0	..	1.12

Scottish Mutual Investment Managers Ltd.
109 St. Vincent St, Glasgow G2 5HN. 041-248 6100

European	99.9	105.9	+0.3	1.20
Gilts & Fixed Int.	103.5	110.1	-0.3	9.09
North American	90.2	96.0	-0.7	1.29
Pacific	80.7	86.5	-0.1	0.41
UK Equity	122.3	130.1	-0.7	3.04
UK Smlr. Cos. Equity	98.2	104.9	.	2.49

Scottish Provident Inv. Mgt. Ltd.
6 St Andrew Sq, Edinburgh 2. 031-556 9181

Equity Acc.	123.1	131.7	-0.5	3.81
International Acc.	217.8	226.0	-0.1	1.45
Gilt & Fxd Int Acc.	109.6	117.4	-0.2	9.22
Index-Link Secs Acc.	100.9	107.9	.	2.38

Scottish Unit Managers
29 Charlotte Sq, Edinburgh. 031-226 4372

Pacific Fund (z)	31.6	33.8xd	..	—
World Growth	27.8	29.6	..	0.77
North American (z)	30.3	32.5xd	..	0.24
Income Fund	32.7	35.0	.	6.04
European (z)	22.3	23.9	..	1.34

Scottish Widows' Fund Management
P.O. Box 902, Edinburgh EH16 5BU. 031-655 6000

Pen Eq Acc July 19	190.6	202.3	+0.8	3.97

Standard Life Trust Mgmt. Ltd.
3, George St., Edinburgh, EH2 2XZ. 031 225 2552

Income Units	184.9	198.2	-0.4	3.81
Accum. Units	199.3	213.6	-0.3	3.81

Stewart Ivory Unit Trust Mgrs Ltd.(a)
45, Charlotte Sq, Edinburgh. 031-226 3271

American Fund	192.3	204.8	-0.6	0.77
(Accum. Units)	211.9	225.7	-0.7	0.77
(Withdrawal Units)	140.4	149.5	-0.5	0.77
Australian Fund	102.8	109.5	+1.4	1.15
British Capital*	422.9	450.4	.	4.62
(Accum. Units)	551.9	587.8	...	4.62
European Fund	168.1	179.0	-0.1	1.02
Japan Fund	170.3	181.4	-0.3	0.52
Saints PPP	115.9	122.3	...	—

Deal. *Wed.

Sun Alliance Fund Management Ltd.,
Sun Alliance Hse, Horsham. 0403 56293

Equity Tst	296.4	315.3	-0.2	3.20
North America	46.1	49.2	-0.1	1.68
Far East	48.8	51.9	+0.1	0.82

Sun Life Trust Mgmt. Ltd.
107 Cheapside, EC2V 6DU. 01-606 6010

American Growth Acc.	23.0	24.5	....	2.0
American Income Acc.	22.1	23.5	..	5.3
American Income Inc.	22.1	23.5		5.3
European Growth Acc.	24.9	26.5	...	3.3
Far East Growth Acc.	24.8	26.4	..	0.9
Int. Growth Acc.	23.3	24.8	...	1.0
Japan Growth Acc.	25.7	27.4	....	0.1
UK Growth Acc.	23.9	25.5	...	2.9
UK Income Acc.	23.2	24.7	..	5.1
UK Income Inc.	23.2	24.7	..	5.1

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)
99-101 London Rd, Sevenoaks. 0732 450161

Equity Dist.*	212.1	224.4	+0.3	4.15
Equity Acc.*	251.8	266.4	+0.4	4.15
Fixed Int. Dist.†	116.7	120.9	-0.2	11.19
Fixed Int. Acc.†	164.8	170.7	-0.3	11.19

*Prices on July 10. Next dealing August 14.
†Prices on July 3. Next dealing August 7.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-3

TSB American	94.3	100.4	...	1.10
Do. Accum.	97.1	103.3	-0.1	1.10
TSB Extra Income	82.1	87.4	-0.1	6.57
Do. Accum.	91.4	97.3		6.56
TSB General	111.8	120.0xd	+0.2	3.50
Do. Accum.	182.7	194.3	+0.2	3.50
TSB Gilt & Fxd Int	46.8	48.8xd	-1.0	9.48
Do. Accum.	57.6	60.0	-0.2	9.48
TSB Income	155.4	165.4xd	-0.1	5.27
Do. Accum.	234.4	249.4	-0.1	5.27
TSB Pacific	101.6	108.1xd	...	0.61
Do. Accum.	104.1	110.8	..	0.61
TSB International	223.6	237.9	...	1.91
Do Accum.	272.1	289.5	..	1.91
Natural Resources	44.8	47.7	+0.2	2.62
Do Accum	45.3	48.2	+0.3	2.62
TSB Special Opps.	44.1	47.0	-0.2	2.76
Do Accum	47.4	50.5	-0.2	2.76

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	64.6	69.1	+0.1	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	64.4	68.9xd	-0.2	0.27
Australia	27.5	29.3	...	0.10
Commodity	89.8	96.4	+0.6	1.79
Energy	39.8	42.6xd	-0.2	0.82
Equity	93.4	99.6xd		3.98
European Spec. Sits.	49.4	52.8	+0.2	0.95
Extra Income	87.8	93.9	-0.3	7.72
Financial	198.5	201.1xd	+0.5	3.06
Gilt Capital	218.4	228.7	-0.4	3.25
Gilt Income	103.6	108.5	-0.2	8.83
Gold Income	61.0	65.2	-0.7	2.34
Gold Acc.	110.2	117.9	-1.1	2.34
Income	55.6	59.8xd	-0.3	6.26
Japan	43.5	46.4	-0.2	0.10
Malaysia & Singapore	22.2	23.7	+0.3	1.24
Pacific Income	62.3	66.4	-0.3	0.94
Pacific Re Inv	75.5	80.4	-0.4	0.94
Preference Share	15.7	17.0xd	..	10.19
Professional	448.7	478.6xd	-3.7	1.82
Special Sits.	78.4	83.9	-0.2	2.68
Technology	41.9	44.8	-0.1	0.10
U.S. Special Bond	29.5	31.9		6.54
Worldwide Capital	105.8	112.8xd	-0.3	1.84
Equity Exempt July 17	581.2	620.0	...	2.64
Equity Ex Acc July 17	1,068.2	1,139.8	....	2.64

Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2. 836 7766

Electra Small Cos. Fd.	117.70	124.18		4.17
High Income	40.2	43.1	-0.2	7.50
North American	99.8	106.2	+0.1	0.97
Recovery	119.8	127.4	+1.0	3.99
Gilt Trust	38.4	39.8		9.55
St Vincent U.S. Gwth	67.7	70.6	+0.2	0.98
St. Vincent High Inc	66.0	68.1	..	6.60

Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

TR American Growth	28.0	30.2	...	0.23
TR General Growth	36.0	38.3		2.50
TR Global Tech.	27.3	29.3	+0.1	0.10
TR Income Growth	42.5	43.8xd	...	5.47
TR Income Monthly	38.2	40.7	..	7.67
TR Overseas Growth	31.4	33.4	+0.2	1.76
TR Smaller Cos	38.7	41.2	-0.1	2.02
TR Special Cos	39.5	42.8	-0.1	1.25

Trades Union Unit Trust Managers
100, Wood Street, EC2. 01-628 8011

TUUT July 1	123.0	129.9	....	4.00

Transatlantic and Gen. Secs. (a) (y)
91-99, New London Rd., Chelmsford. 0245-51651

Colemco July 19	394.1	170.5	-0.7	4.67
(Accum Units)	565.4	551.8	-1.1	4.67
Fielding Fd July 10	183.5	193.2	...	4.10
(Accum. Units)	199.2	209.7	...	4.10
Fielding Inc July 18	129.2	136.0	...	5.45
Fidng AMA&Gen July 18	201.2	212.2	....	1.68
(Accum Units)	226.5	238.9	...	1.68
S&W American July 17	132.5	139.5		2.04
S & W Smaller Secs.	89.9	94.7	..	1.60

Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol. 0272 732241

Australian Securities	62.4	66.8	+0.4	0.74
(Accum. Units)	64.1	68.6	+0.4	0.71
Capital	249.2	264.2xd	+0.2	4.33
(Accum. Units)	433.6	459.8	+0.2	4.33
Exempt	216.0	230.2	+1.0	7.60
(Accum Units)	462.0	495.0	+2.0	7.60
Far Eastern	115.2	123.6	-0.3	1.05
(Accum. Units)	122.3	131.3	-0.2	1.05
Fin & Prop	39.2	41.8	+0.3	4.15
(Accum Units)	59.1	63.3	-0.5	4.15
Gilt Capital Trust	115.6	120.2	-0.1	7.07
(Accum. Units)	126.5	131.6	-0.1	7.07
Gilt Income	105.8	108.9xd	-0.3	10.06
(Accum. Units)	158.2	164.2	-0.4	10.06
High Yield	39.2	41.8	.	7.41
(Accum. Units)	81.5	86.8	...	7.41
Income	169.2	179.4xd	..	6.97
(Accum Units)	499.4	529.4	-0.4	6.97
Int. Ems.	117.8	125.6	-0.2	3.44
(Accum. Units)	167.0	178.0	-0.4	3.44
International Grwth.	56.3	60.0	-0.1	1.75
(Accum. Units)	57.6	61.4	-0.1	1.75
Japan Growth (Acc)	56.8	61.0	-0.4	0.20
Natural Resources	187.6	199.8	...	1.90
(Accum Units)	266.1	283.3		1.90
Nth Amer Grth	105.5	112.9xd	-0.1	1.61
(Accum Units)	120.8	129.3	-0.1	1.61
Pref	109.0	116.2	...	11.17
(Accum Units)	259.8	275.8		11.17
Smaller Cos.	138.9	143.7	-0.3	2.68
(Accum Units)	176.8	188.3	-0.5	2.68
Smaller Cos. Div.	43.5	46.4xd	+0.1	7.04
(Accum Units)	47.7	50.9	+0.1	7.04
Special Sits	78.5	83.7	..	2.86
(Accum Units)	81.7	86.0	..	2.86
European Growth	53.2	56.7	+0.6	1.60

Unit Trust Account & Mgmt. Ltd.
Regis Hse, King William St, EC4R 9R. 01-623 4951

Friars Hse Cap. Fd.	97.5	103.8xd	....	2.41

Vanguard Trust Managers Ltd.
Bath Hse, London, EC1A 2EU. 01-236 5080

American & Gen July 16	47.6	50.6	.....	3.39
Growth July 16	126.6	132.5	...	3.80
(Accum Units)	190.1	198.4	...	3.80
High Yield July 16	143.7	149.2	....	6.38
Special Sits July 17	264.5	278.4	....	3.39
Trustee July 17	94.4	99.44	...	4.85
(Accum Units)	138.7	146.0	...	4.85

Wardley Unit Trust Managers Ltd (a)
Wardley Hse, 7 Devonshire Sq, EC2. 01-626 4411

American Tst.	59.8	64.3xd	+0.4	2.1
Far East & Gn. Tst.	61.4	65.4		1.4
Natural Resources	41.5	44.1xd	+0.2	3.0
Income Tst.	57.1	61.4	.	6.0
Japan Growth Tst.	57.1	61.3	-0.4	0.2
Smaller Cos. Tst.	106.5	114.6	+0.3	2.0
Tchnlgy. Tst.	26.6	28.6	-0.2	0.2
Australia Trust	36.7	39.4	+0.3	1.4
UK Trust	91.5	97.4	-0.1	3.1
European Growth Tst.	25.8	27.5xd	+0.1	1.9
Hong Kong Tst.	22.2	23.7	+0.2	2.0

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh. 031-225 1551

Australasian Gold	18.2	19.4	....	0.10
Pacific Basin Energy	19.8	21.1	..	0.20
Canadian Balcd Grwth	46.1	49.2	....	3.0

WestAnon Unit Trust Managers Ltd(a)(s)
9 Portland Square, Bristol, BS2 8SS. 0272 428431

British Growth	47.9	50.8	+0.2	3.8
British Income	47.9	50.8	+0.2	5.7

Whittingdale Unit Trust Managers
2 Honey Lane, EC2V 8BT. 01-606 9085/6

Short Dud Gilt Fd	56.9	57.8	....	1.47

Wright Seligman Fund Managers Ltd.
11, Blomfield St., London, EC2M 7AY. 01-588 0592

Growth Fund	52.6	55.6xd	....	1.44

Weekly dealing day Tuesday.

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93, Cardiff CF1 4NW. 0222 35542

AA Friendly Sy July 12	81.8	81.8	....	—

Abbey Life Assurance Co. Ltd.
80, Holdenhurst Road, Bournemouth, 0202 292373

Prop Ser. 1	209.0	220.0	...	—
Equity Ser. 1	78.9	83.1	-0.1	—
Prop. Acc. Ser 2	270.8	285.1	..	—
Equity Acc. Ser. 2	83.8	88.3	-0.1	—
Selective Acc.	202.2	212.9	-0.1	—
Money Series 3	201.7	212.4	....	—
Conv. Ser 3	216.5	227.9	.....	—
Prop. Ser 4	213.1	224.4		—
Equity Ser 4	88.7	93.4	-0.1	—
Fixed Int. Ser. 4	170.5	179.5	-0.2	—
Indexed Inc Ser. 4	107.7	113.4	-0.1	—
American Ser. 4	233.9	246.3	..	—
High Inc. Ser 4	215.3	226.7	..	—
Japan Ser 4	154.5	162.7	-2.5	—
Man Ser. 4	288.6	303.8	-0.5	—
Money Ser 4	181.6	191.2	....	—
Convertible Ser 4	181.8	191.4	..	—
Property Ser 4 Cap	145.2	152.9	...	—
Equity Ser 4 Cap	60.3	63.5		—
Managed Ser 4 Cap	197.7	208.2	-0.3	—
Money Ser 4 Cap	124.6	131.2		—
Fixed Int Ser 4 Cap	155.9	164.2	-0.2	—
Indexed Inv S 4 Cap	94.6	99.6	-0.1	—
American Ser 4 Cap	213.5	224.8	...	—
High Inc Ser 4 Cap	196.6	207.0	...	—
Japan Ser 4 Cap	140.9	148.4	-2.4	—
Pension Funds				
Property	341.1	359.1	...	—
Equity	565.8	595.6	..	—
Selective	210.1	221.2	-0.1	—
Managed	478.3	503.5	-0.4	—
Security	300.4	316.3	.	—
Fixed Int	175.0	184.3	-0.2	—
Indexed Inv.	109.0	114.8	.	—
American	186.2	196.1	.	—
Japan	145.3	153.0	-1.7	—
Property Cap.	192.9	203.1	..	—
Equity Cap.	324.9	342.0	..	—
Managed Cap.	271.9	286.3	-0.3	—
Security Cap	168.4	177.3	..	—
Fixed Int Cap.	130.1	137.0	-0.2	—
Indexed Inv. Cap.	89.1	93.8	-0.1	—
American Cap.	152.6	[illegible]	.	—
Japan Cap	127.1	[illegible]	-1.9	—
Property Cap. 2	334.6	[illegible]		—
Equity Cap. 2	554.9	[illegible]	-0.1	—
Managed Cap. 2	469.3	[illegible]	-0.4	—
Security Cap. 2	294.8	[illegible]	.	—
Fixed Inc. Cap. 2	171.1	[illegible]	-0.2	—
Index Inv Cap. 2	106.9	[illegible]	-0.1	—
American Cap. 2	182.7	192.3	..	—
Japan Cap 2	142.7	150.2	-1.7	—
Moneywise Frly Soc	63.4	67.[illegible]	...	—

Aetna Life Insurance Co. Ltd.
401 St. John St., London, EC1V 4QE. 01-837 6494

Life Funds (Accumulator Units)				
Squirrel	9.5	10.4	....	—
Bear	9.9	10.4	..	—
Owl	9.6	10.2	+0.2	—
Bull	9.7	10.3	+0.5	—
Stag	9.3	9.8	+0.3	—
Pension Funds (Accumulator Units)				
Squirrel	10.0	10.6	.....	—
Bear	10.0	10.6	...	—
Owl	9.7	10.3	..	—
Bull	9.8	10.4	+0.5	—
Stag	9.3	9.8	-0.3	—

Albany Life Assurance Co. Ltd.
3, Darkes Lane, Potters Bar. 0707-42311

Equity Fd. Acc.(z)	536.4	564.6	+0.2	—
European Fd Accum(z)	128.2	134.9	..	—
Fixed Int. Acc. (z)	266.3	280.3	-0.3	—
Gtd. Money Fd. Ac.(z)	186.7	196.5	+0.1	—
Intl Man Fd. Acm.(z)	231.5	243.6	-0.2	—
Intl Fxd Inc Fd Acc(z)	148.0	155.7	-1.3	—
Japan Fund(z)	141.1	148.5	-0.7	—
Nth American Fd Acc(z)	143.5	151.0	-0.2	—
Prop Fd. Acc.(z)	192.3	202.4	.	—
Multiple Inv Acc. (z)	393.2	413.8	-0.3	—
Pension Funds				
Eq Pen Fd Acc(z)	867.5	912.9	+0.5	—
Euro Fd Acc(z)	139.9	147.2	..	—
Fixed Int Acc (z)	480.3	505.5	-0.5	—
Gt Money Pn Acc(z)	291.5	306.8	-0.1	—
Intl Man Fd(z)	301.3	317.1	-0.3	—
Jap Pen Fd Acc(z)	157.3	165.6	-1.1	—
N Am Pn Fd Acc(z)	160.3	168.7	-0.4	—
Property(z)	275.7	290.2	+0.1	—
Mple Inv Pen Acc(z)	665.9	700.8	-0.6	—

Allied Dunbar Assurance PLC
[illegible]

Ambassador Life Ass. Co. Ltd.
[illegible]

Barclays Life Assur. Co. Ltd.
252 Romford Road, E7.
[illegible]

Black Horse Life Ass. Co. Ltd.
[illegible]

British National Life Assurance Co. Ltd
Perrymount Road, Haywards Heath.
[illegible]

Canada Life Group
2-6, High St, Potters Bar, Herts.
[illegible]

Cannon Assurance Ltd.
Latham House, [illegible]
[illegible]

Chieftain Assurance Funds
11 New Street, EC2M 4TP.
[illegible]

City of Edinburgh Life Assurance
46 Charlotte Sq, [illegible]
[illegible]

City of Westminster Assurance
[illegible]

Clerical Medical/Fidelity International
Narrow Plain, Bristol.
[illegible]

Clerical Medical Managed Funds Ltd.
15 St. James's Sq, [illegible]
[illegible]

Colonial Mutual Group
24 Ludgate Hill, [illegible]
[illegible]

Commercial Union Group
St Helen's, 1, Undershaft, EC3.
[illegible]

Confederation Life Insurance Co.
[illegible]

Continental Life Insurance PLC
[illegible]

Cornhill Insurance PLC
[illegible]

Credit & Commerce Life Ass. Ltd.
[illegible]

Criterion Assurance Group
[illegible]

Crown Financial Management Ltd.
[illegible]

Crusader Insurance PLC
[illegible]

Dominion Financial Management
[illegible]

Eagle Star Insur./Midland Assur.
[illegible]

Equitable Life Assurance Society
[illegible]

Equity & Law
[illegible]

Family Assurance Society
[illegible]

Federation Mutual Insurance Ltd.
[illegible]

Framlington Life Insurance Ltd.
[illegible]

Friends' Provident Life Office
[illegible]

G.T. Management Ltd.
[illegible]

General Accident Linked Life Assurance(z)
[illegible]

Assicurazioni GENERALI S.p.A.
[illegible]

General Portfolio Life Ins. PLC
[illegible]

Gresham Unit Assurance Ltd.
[illegible]

Growth & Sec. Life Ass. Soc. Ltd.
[illegible]

Guardian Royal Exchange
Royal Exchange, EC3.
[illegible]

Hearts of Oak Benefit Society
[illegible]

Henderson Administration
[illegible]

Hill Samuel Life Assur. Ltd.
[illegible]

Imperial Life Ass. Co. of Canada
[illegible]

Imperial Life (UK) Ltd.
[illegible]

Irish Life Assurance Co. PLC.
[illegible]

The LAS Group
[illegible]

Langham Life Assur. Co. Ltd.
[illegible]

Legal & General (Unit Assur.) Ltd.
[illegible]

Legal & General (U.A.)—Contd.
[illegible]

Legal & General Prop. Fd. Mgrs. Ltd.
[illegible]

Liberty Life Assurance Co Ltd
[illegible]

Life Assur. Co. of Pennsylvania
[illegible]

Lloyds Life Assurance
[illegible]

London A'deen & Nthn. Mtl. Assur. Ltd.
[illegible]

London Indemnity & Gnl. Ins. Co. Ltd
[illegible]

London Life
[illegible]

London & Manchester Group
[illegible]

M & G Group
[illegible]

MGM Assurance
[illegible]

Manufacturers Life Insurance Co (UK)
[illegible]

Merchant Investors Assurance
[illegible]

Municipal Life Assurance Ltd.
[illegible]

NEL Pensions Ltd.
[illegible]

National Mutual Life
[illegible]

National Mutual of Australasia
[illegible]

National Provident Institution
[illegible]

New Zealand Insurance PLC
[illegible]

Norwich Union Insurance Group
[illegible]

PBH Fund Management Ltd.
[illegible]

Pearl Assurance (Unit Funds) Ltd.
[illegible]

Phoenix Assurance Co. Ltd.
[illegible]

Pioneer Mutual Insurance Co. Ltd.
[illegible]

Premium Life Assurance Co. Ltd.
[illegible]

Property Equity & Life Ass. Co.
[illegible]

Property Growth Assur. Co. Ltd.
[illegible]

Providence Capitol Life Assc. Co. Ltd.
[illegible]

Provident Life Assoc of London Ltd
[illegible]

Provident Mutual Life Assc. Assn.
[illegible]

Provincial Life Assurance Co. Ltd.
[illegible]

Prudential Assurance Co. Ltd.
[illegible]

Prudential Pensions Limited
[illegible]

Reliance Mutual
[illegible]

Royal Life Insurance Ltd.
[illegible]

Save & Prosper Group
[illegible]

Schroder Life Assurance Ltd.
[illegible]

Scottish Amicable Investments
[illegible]

Scottish Equitable Life Assce. Soc.
[illegible]

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ..... $11.43 | — | ... | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. ..... $15.5 | — | ... | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $9.29
Dynamic Gwth Fd. $8.27

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund — 77 London Wall, London EC2N 1DB — 01-588 1815				
Deposit	12.2	—	—	3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. — 01-236 0952				
Call Fnd	12.40	9.27	13.72	6mth
7-day Fnd	12.19	9.11	13.48	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. — 01-236 1425				
Call Fnd	12.18	9.10	13.42	6-Mth
7-day Fund	12.32	9.21	11.59	6-Mth
Dollar	6.15	—	—	6-Mth
Money Mngt. Acc.	11.75	8.78	13.14	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq. Edinburgh, EH2 4DF — 031-225 8484				
Full Service Chq Acc.	12.25	8.75	13.09	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. — 01-638 6070				
Treasury Acc.	11.875	8.875	13.30	Qtr
Mth. Int. Chq.	11.75	8.70	11.30	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. — 01-628 8060				
Money Mkt Cheque Acc.	11.40	8.53	12.65	Mth
Barclays Prime Account — PO Box 125, Northampton — 0604 252991				
High Int. Cheque	11.50	8.625	12.90	Qtr
Britannia Investment Services Ltd. — 29 Finsbury Circus, EC2M 5QL. — 01-588 2777				
Cater Allen	12.06	9.02	13.4269	Mth
Charterhouse Japhet plc — 1 Paternoster Row, EC4M 7DH. — 01-248 3999				
Sterling	11.80	8.88	13.44	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss Franc	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings — St Martins Hse, Hammersmith Grove — 01-748 9251				
Cheque Plus	—	10.00	14.83	Qtr
Co-operative Bank Cheque & Save — 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	10.0	7.48	10.99	Qtr
£2,500 +	12.50	9.34	13.82	Qtr
Dartington & Co Ltd — Dartington, Totnes, Devon TQ9 6JE. — 0803 862271				
Money Mkt Acc.	12.25	9.16	13.75	Qtr
Edward Manson & Co Ltd — 9 Henrietta Place W1M 9AG — 01-631 3313				
Cheque Deposit Acc.	12.50	9.34	14.19	Mth
Henderson/Bank of Scotland — 38 Threadneedle St EC2P 2EH — 01-628 8060				
Money Mkt. Cheque Acc.	11.30	8.52	12.65	Mth
Lloyds Bank PLC — 71 Lombard St, London, EC3P 3BS. — 01-626 1500				
High Int Cheque	11.50	8.50	—	Qtr
Lombard North Central PLC — 17 Bruton St, W1A 3DH. — 01-409 3434				
14-Day Notice	12.375	9.25	13.21	—
M & G/Kleinwort Benson — 91-99 New London Rd, Chelmsford. — 0245 51651				
K.I.C.A.	11.75	8.78	13.07	Daily
Midland Bank plc — PO Box 2, Sheffield. — 0742 20999 Ext 8738				
High Int Chq	11.37	8.50	12.70	Qtr
Provincial Trust (formerly Cheulartons) — 30 Ashley Rd, Altrincham, Cheshire — 061-928 9011				
Cheque Acc.	12.50	9.34	14.19	Mth
Royal Bank of Scotland plc — 24 Lombard St, London EC3V 9BA — 031-557 0201				
Premium Account	11.50	8.59	12.85	Qtr
Save & Prosper/Robert Fleming — 28 Western Rd, Romford RM1 3LB. — 0708 66966				
H.I.B.A.	11.63	8.70	12.98	Daily
Tyndall & Co — 29-33 Princess Victoria St, Bristol. — 0272 732241				
Demand Acc.	11.604	9.10	13.22	Qtr
Money Acc.	11.87	9.17	13.29	Qtr
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth — 0705 827733				
Special Acc.	12.10	9.04	13.70	Mth
Over £10,000	12.35	9.23	14.02	Mth
Western Trust & Savings Limited — The Moneycentre, Plymouth PL1 5E — 0752 24141				
High Int Chq Acc.	12.25	9.16	13.54	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. 4 Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. 7 Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk	30
BAT	32	NEI	8
BOC Grp	25	Nat West Bk	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	15	Reed Intnl	50
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brit. Oil & Min.	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst.	17½	Charterhall	6
Hawker Sidd	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
'Imps'	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24		
Legal & Gen	58	Charter Cons	18
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56
Marks & Spencer	11		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
3 Mar	3 Sep	Treas 8¼pcCnv '85	99	25.1	8.79	12.33
22 May	22 Nov	Exch. 13¼pc 1985	100	15.4	13.23	11.43
25 Aug	25 Feb	Exch. 11¼pc '86	100¼	19.7	11.71	11.32
11 Oct	11 Apr	Treas. 10pcCnv 1986	99	15.3	10.08	11.10
19 Nov	19 May	Treas 3pc 1986	95¼	12.4	3.16	9.23
19 Nov	19 May	Exch. 10½pc Cv '86	99	12.4	10.54	10.94
12 Dec	12 Jun	Treas 12pc 1986	101	7.5	11.88	10.73
10 Jan	10 Jul	Treas 8¼pc 1984-86	93	3.6	8.67	10.71
29 Apr	29 Oct	Exch. 14pc 1986	103½	25.3	13.52	10.88
21 May	21 Nov	Exch. 2½pc 1986	93¼	15.4	2.68	7.90
22 Jul	22 Jan	Exch. 13¼pc 1987	103	17.6	12.83	10.86
10 Aug	10 Feb	Treas 10¼pcCv '87	99¼	4.7	10.33	10.78
24 Aug	24 Feb	Exch 2½pc 1987	91	18.1	2.75	8.25
6 Oct	6 Apr	Exch. 10½pc 1987	99	1.3	10.55	10.82
1 Nov	1 May	Funding 6½pc '85-87	93½	25.3	6.95	10.58
12 Dec	12 Jun	Treas 10pc 1987	98¼	7.5	10.13	10.76
14 Jan	14 Jul	Treas 3pc 1987	90¼	7.6	3.32	8.45
3 May	3 Nov	Treas. 12pc 1987	102¼	27.3	11.74	10.86
26 Jul	26 Jan	Treas 7¾pc 1985-88	94¼	19.6	8.23	10.48
10 Nov	10 May	Exch 10½pc '88	99	13.4	10.58	10.80
14 Dec	14 Jun	Treas 9¾pc Cv '88	97	8.5	10.04	10.96
1 Jan	1 Jul	Transport 3pc '78-88	86¼	28.5	3.48	8.36

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
F My Au N	Amer Medical Int $1	20	8.7	60c	—	2.2
May Au No Fb	Amer. Nat. Res. $1	51⅛	10.10	h$1.41	—	2.7
Fb My Ag Nv	American T & T. $1	15⅞	26.3	$1.20	—	5.4
My Au N F	Ameritech $1	67¼	—	$6.00	—	6.4
—	Amfac	19½	16.11	$1.44	—	5.3
—	♦Arid Tech	32p	—	—	—	—
Fb My Au N	Bankamerica $1⅝	12½	7.5	$1.52	—	8.8
Ap Jly Oc Jan	Bankers N.Y. $10	50½	28.3	$2.70	—	3.9
Ja Ap Jy Oct	BASIX Corp	910p	20.6	12c	—	0.9
My Au N Fb	Bell Atlantic $1	67¼	27.3	$6.80	—	7.2
Fb My Au N	Bellsouth $1	30	25.6	$2.60	—	6.2
Mar Jun S D	♦Beth Steel $8	12¼	4.11	40c	—	2.2
Oc Ja Ap Jy	Bowater Inc.	16⅛	5.6	72c	—	3.2
Ja Au Jly D	Brown'g-Fer 16⅔c	38⅝	17.6	$1.08	—	2.0
F My Au N	Brunswick Corp	28¼	22.4	$1.00	—	2.5
—	♦Business Computer	278p	—	—	—	—
Jan Ap Jly O	CPC Intnl. 25c	31⅝	25.6	$2.20	—	5.0
Mr Jn Se De	CSX Corp U.S.$1.00	19⅝	21.5	$1.04	—	3.8
Mar. June S.D.	CalFed Inc $1.00	17¼	10.5	32c	—	1.3
Oc Ja Ap Jy	Campbell Soup 60c	56¼	3.7	$5.00	—	6.3
F My Au N	Caterpillar Tractor	25⅞	17.7	50c	—	1.4
—	Cenergy Corp 25c	571p	—	1c	—	0.1
Fb My Ag Nv	Chase M'hat $12.5	44½	25.4	$3.80	—	6.1
Ap Jy Oc Ja	Chemical New York	51	12.3	$2.48	—	5.8
Mar Jun S D	Chesebrough-Pond's $1	23⅛	30.5	$1.92	—	6.0
Mar Jun S D	Chrysler $6¼	25⅛	12.6	$1.00	—	2.8
My Au N F	Citicorp $4	34¼	25.6	$2.26	—	4.7
—	CityFed Fin. Corp.	928p	—	040c	—	3.1
F My Au N	Colgate-P. $1	19½	22.4	$1.28	—	4.7
Mr Ju Se De	Cont Inds. $1	44¼	12.3	$2.50	—	4.1
F May Au N	Cont Illinois Hldgs $1	53p	27.3	—	—	—
—	♦Corporate Data Scnce	129p	—	—	—	—
Dec. Aug	Crown Zell. $5	29¼	5.6	$1.00	—	2.4
—	Cullinet Sftwr $0.1	19¼	—	—	—	—
—	Damson Oil 40c	268p	—	—	—	—
Mar Jun S D	Dana Corp. $1	18¼	22.5	$1.28	—	4.9
—	Data General	27½	—	—	—	—
—	♦Derma-Lock Medical	26p	—	—	—	—
M J S D	Dun & Bradstreet $1	56½	15.5	$1.88	—	2.4
F My Au N	Eaton Corpn. 50c	39¼	1.5	$1.20	—	2.2
Mar Jun S D	♦Exxon	37⅞	7.11	$3.40	—	6.6
MrJnSepDec	FPL Group $0.01	19¼	27.11	h$1.88	—	6.9
F May Au N	Fin. Corpn. Amer. 50c	535p	25.6	h34c	—	4.6

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
		Mammet Hldgs 10p	37					
Apr	Oct	Man Ship Can £1	307	25.2	5.5	3.5	2.6	16.1
Oct	Apr	Marley	77	11.3	3.75	2.2	7.0	9.3
Feb	Oct	Marling Ind 10p	87	3.12	10.0	5.6	2.1	10.2
Dec	June	Marshall L'ne 'A'	61	29.4	2.4	4.9	5.6	4.4
Jan	July	Marshall's Universal	63	3.6	2.0	1.4	4.5	[illegible]
June	Dec	Do 7½pcCnRedPf £1	82	1.7	7½%	—	13.1	
Nov	May	Martin Black	224	5.79				
		Matthews 7¼%	195	30.6	07¼%	2.3	18.5	
		Maunders In	30					
Jan	June	Metal Box £1	438	17.6	17.25	3.1	5.6	6.6
May	June	Metal Closures	134	15.4	6.7	2.0	7.1	8.4
		Metal Sciences 2½p	9					
July	Jan	Midland Marts	82	1.7	4.5	♦	7.0	♦
Jan	May	Mitchell Cotts	67	25.3	14.0	1.5	8.5	9.6
Jan	July	Morgan Crucible	195	29.4	8.0	1.6	5.9	13.5
May		Morris (W) F.A. 20p	29½		0.5	♦	2.4	♦
Jan	Aug	Moss (Robt.) 10p	93	3.6	3.0	2.5	4.6	10.3
July		Mytton Grp 10p	72½	13.5	2.5	3.4	4.9	13.8
Nov	June	NMW Computers	245	29.4	4.8	2.7	2.8	18.0
Mar	Sept	Nash Inds	30	14.3	2.5	1.5		6.9
Oct	April	Neil & Spencer 10p	22	3.81	♦			6.6
Jan	July	Newman Inds 10p	34	12.79				
April	Oct	Nolton	47	24.1	1.17	4.5	5.2	7.0
Jan	Aug	Norcros	170	15.7	8.6	2.2	7.2	8.5
Oct	April	Nu-Swift 5p	52	3.6	3.0	1.6	8.2	10.0
Feb	Aug	Oakwood Grp	90	15.7	4.5	1.4	7.3	13.2
Jan	June	Office & Elect	215	3.6	7.5	2.4	5.0	11.8
		Oldacre 20p	77	28.1	4.0	2.6	7.7	6.6
		Optometrics $0.01	44		0.2		3.6	46.7
May	Nov	Oriflame £1	440	25.3	23.4	1.8	5.3	10.4
Jan	June	Owenstone 12½p	17	3.6	3.73	1.9	7.5	7.0
May	Nov	Oxford Sct Cnv 87 92	£186	15.4	09%	—	4.9	
December		PCI Grp 10p	140	1.7	4.8	♦	4.8	♦
April		PLM 'B' Sk 25	£11	3.4	21.6%	♦	4.8	♦
		PSM Intl	146	13.5	5.25	2.5	5.1	10.0
		Pacific Sales 10p	60	25.3	2.4	2.2	5.7	11

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov	May	Central T.V. N.V. 50p	185	15.4	10.5	2.3	8.1	7.7
		Entertain Prod 5p	10		2.25	7.1	17.9	3.2
Feb	June	Fairline Boats 10p	67	17.6	2.61	2.6	5.9	9.5
Apr	Oct	First Leisure £1	301	25.2	6.5	2.8	3.1	13.9
		GRA Group 5p	57					60
Jan	June	Grampian TVA 10p	26	13.5	1.67	♦	9.2	♦
May	Oct	HTV Non-Vtg	133	25.1	7.0	2.9	7.5	6.0
May	Oct	Horizon	105	15.4	4.4	3.6	6.0	4.7
Jan	July	Insight	158	29.4	2.5	9.5	2.3	4.8
Jan		Applemation 10p	123	24.12	4.8	♦	5.7	♦
		Interesn Video 10p	6	31.81				
Nov	June	Julianas Hldgs 2p	180	13.5	2.0	2.8	1.4	29.7
Jan	April	LWT	257	15.4	14.4	7.5	8.0	7.8
		Leisure Inv 10p	29					
Jan	Jul	Leisuretime Int 10p	56	29.4	12.1	3.9	5.4	6.0
June	Jan	Mngmt. Ag. M. 10p	162	14.1	4.875	1.3	7.7	13.0
		Media Tech Int 20p	157		2.58	3.9	2.3	15.5
Apr	Dec	Medminster 10p	168	11.3	14.85	2.6	4.1	11.3
Oct	May	Miss World 10p	140	25.3	3.6	4.1	2.7	13.0
May		Nationwide Leisure	73	11.3	3.75	2.5	7.3	6.5
		Nimslo Int 20c	20					
July		Owners Abroad	20	29.4	1.0	2.2	7.1	8.9
		Photax (Lon.)	45	4.82				
April		P'dilly Radio NV 5p	21	28.1	1.87	1.1	11.9	10.9
December		Pawsgate Dec St 10p	90	24.12	41.5	1.2	5.6	20.4
Sept	Apr	Pleasurama 5p	227	13.5	6.6	3.7	2.9	13.5
		Do. 7pcCnCmRedPf	117					
May		Pres. Entertain 50p	83	15.4	2.0	2.1	3.4	19.3
Feb-July		Radio City 'A' NV	32	10.12	5.6	0.9		6.4
Jan	July	Radio Clyde N.V.	42	3.6	3.25	2.0	11.1	6.2
July	Jan	Riley Leisure 10p	40	29.10	0.7		2.5	
Apr	Nov	Saga Hols. 20p	150	11.3	4.0	2.1	3.8	16.0
April		Samuelson Grp 20p	225	11.7	11.5	3.6	1.1	41.7
Jan	July	Sangers Photo 10p	56	3.6	7.0	1.9	8.2	9.1
July		Scanro 50p	153	13.5	3.68	2.6	3.4	14.9
Dec	May	Scott TV 'A' 10p	142	29.4	8.8	2.8	8.9	5.8
		SeaCo Inc $0.125	348	1.84				

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

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(International Edition Page 18)

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

MONDAY JULY 22
COMPANY MEETINGS—
Anglo American Agriculture, 64, Lincoln's Inn Fields, W.C., 12.00
El Oro Mining, 41, Cheval Place, S.W., 12.15
Exploration Co., 41, Cheval Place, S.W., 12.00
International Paint, 18, Hanover Square, W., 12.00
Lenca, Portland Hotel, Piccadilly, Manchester, 2.00
Rowlinson Securities, London House, London Road South, Poynton, Stockport, Cheshire, 12.00
Whitbread Investment, Brewery, Chiswell Street, E.C., 12.30
BOARD MEETINGS—
Finals
Murray Smaller Markets Trust
Northamber
DIVIDEND & INTEREST PAYMENTS—
Bass 3.7p
Brixton Estates 3.05p. New 2.505335p
Exchequer 13¼pc 1987 5.525pc. 12pc 1999-2002 pc
Ferguson Industs. 4.65p
G.T. Global Rec. Inv. Tst. 1.25p
Gamnanca NY Fltg Rate Notes 1894 $455.64
Hinden 10p
Holden Hydroman 2.275p
Hydro Quebec Fltg. Rate Notes Sers. FM Jan 1994 $455.64
Industrias Penoles SA De C.V. Fltg Rate Notes 1989 $252.78
Kingsley and Forester 0.5p
Long-Term Credit Bank of Japan NV Gtd Fltg. Rate Notes 1080 $455.75
Marshall's Universal 1.75p
Spong 0.1p
Sweden (Kingdom of) 13.5pc 2010 5.75pc
Treasury 12¼pc 1992 5.375pc. 11¼pc 2003-07 5.875pc. 13¼pc 1097 5.525pc

TUESDAY JULY 23
COMPANY MEETINGS—
Alpine Soft Drinks, Richmond Way, Chelmsley Wood, Birmingham, 12.00
Courtaulds, London Marriott Hotel, Duke Street, 10, Grosvenor Square, W., 10.45
M.K. Electric, Chartered Accountants Hall, Moorgate Place, E.C., 12.00
Monks Invest. Tst., Great Eastern Hotel, Liverpool Street, E.C., 9.30
Plysu, Brewery Conference Centre, Chiswell Street, E.C., 12.00
Reed Intnl., Savoy Place, W.C., 12.00
Whitbread and Co., Brewery, Chiswell Street, E.C., 12.00
BOARD MEETINGS—
Finals
AAH
Bennett and Fountain
Hampton Trust
Preedy (Alfred)
Interims
Crescent Japan Inv Tst
Gaunt (Rowland)
Leda Inv Tst
New Tokyo Inv Tst
DIVIDEND & INTEREST PAYMENTS—
Airflow Streamlines 0.75p
Australian Agric. 25 cents
Gartmore American Secs. 1.4p
Harrison and Crosfield 15.5p
Hill Samuel Fltg. Rate Notes 1992 $45.58
Hunter Saphir 1.05p
Lanca 0.375p
Offshore Mining Fltg. Rate Notes 1955 $45.55
Panama (Rep. of) Fltg. Rate Ser Notes 1991 $370.5

WEDNESDAY JULY 24
COMPANY MEETINGS—
Ambrose Inv. Tst., Institute of Chartered Accountants, Moorgate Place, E.C., 12.30
Beecham, 1, Hamilton Place, Hyde Park Corner, W., 12.00
Braithwaite, St Ermin's Hotel, Caxton Street, S.W., 12.00
Caffyns, Queens Hotel, Marine Parade, Eastbourne, 3.00
Continental and Industrial Trust, 120, Cheapside, E.C., 12.00
Dunhill, Cafe Royal, 68, Regents Street, W., 12.00
Electra Inv. Tst., Electra House, Temple Place, Victoria Embankment, W.C., 11.30
Fleming Universal Inv. Tst., 122, Leadenhall Street, E.C., 2.30
Intl. Signal and Control, Barber-Surgeon's Hall, Monkwell Sq., London Wall, E.C., 12.00
Mercury Secs., 33 King William Street, E.C., 12.00
Premier Cons. Oilfields, Institute of Chartered Accountants, Moorgate Place, E.C., 12.00
Property Partnerships, Assembly Hall, Norwich, 11.30
Southend Stadium, 54, Park Street, W., 12.00
Staveley Inds., Savoy Hotel, Strand, W.C., 12.00
BOARD MEETINGS—
Finals
A and M Hire
Bespak
Bramway
Dowty
Kenyon Securities
NMC Investments
Osprey Communications
Interims
Allied Textile
Boothant Engineers
Fleming Fledgling Inv Tst
Mount Charlotte Invs
Updown Investment
DIVIDEND & INTEREST PAYMENTS—
Ambrose Invest. Tst. 5.82p
Caffyns 2.3p
Fil 1.36p
Italy (Rep. of) Fltg. Rate Notes 2005 $62.5
Mercury Secs. 16p
Plysu 2.31p
Rowlinson Secs. 0.46875p

THURSDAY JULY 25
COMPANY MEETINGS—
Bardon Hill, Bardon Hill, Leicester, 11.30
Boots, 1, Hamilton Place, Hyde Park Corner, W., 11.00
British Steam Specialties, Grand Hotel, Leicester, 12.00
Century Oils, Stakis Grand Hotel, Trinity Street, Hanley, Stoke-on-Trent, 12.00
Elliott (B.), 167, Imperial Drive, Harrow, Middlesex, 12.15
Extel, London Intnl. Press Centre, New Street Square, E.C., 12.00
Freshbake Foods, 9, Little Trinity Lane, E.C., 11.00
Gresham House, 24, Austin Friars, E.C., 11.00
Habitat Mothercare, 11, Copthall Avenue, E.C., 10.30
Hargreaves, Bowcliffe Hall, Bramham, Wetherby, West Yorkshire, 12.00
Humphries, Cafe Royal, 68, Regent Street, W., 12.00
L.C.P., Pensnett Estate, Kingsford, West Midlands, 12.00
Locker (T.), Church Street, Warrington, 11.00
London and Associated Inv. Tst., 30-32, Ludgate Hill, E.C., 12.00
London Inv. Tst., Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 12.00
Metal Box, 1, London Wall, E.C., 12.00
Meyer Intnl., Charing Cross Hotel, Strand, W.C., 12.00
Petbow, Richborough Works, Sandwich, Kent, 12.00
Rolfe and Nolan, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Shires Investment, 70, Finsbury Pavement, E.C., 12.00
Sketchley, Rugby Road, Hinckley, Leicestershire, 12.00
Slaters Food, Briscoe Lane, Newton Heath, Manchester, 11.00
Star Offshore Services, 50, Huntly Street, Aberdeen, 12.00
Steinberg, Steinberg House, Kiln Farm, Milton Keynes, 11.00
TR Natural Resources, 2, Puddle Dock, E.C., 12.00
Tozer Kemsley and Millbourn, Royal Lancaster Hotel, Lancaster Terrace, W., 10.15
Turnbull Scott, 30-32 St. Mary Axe, E.C., 12.00
UKO Intnl., Cavendish Hotel, Jermyn Street, S.W., 12.00
Valor, 4, Dowgate Hill, E.C., 12.00
Wigfall (Henry) and Son, Baldwin's Omega, Brincliffe Hill, Sheffield, 12.00
BOARD MEETINGS—
Finals
Astra Industrial
Hallite
Ingram (Harold)
Tinsley (Eliza)
Warehouse
Wellman
Interims
Adams and Gibbon
Derby Trust
Edinburgh American Assets Trust
GRA
Hill and Smith
ICI
Ladies Pride
Meggitt
DIVIDEND & INTEREST PAYMENTS—
Bank of Ireland Fltg. Rate Cap. Notes 1002 $452.50
Bankers Trust New York 0.675 cents
Boots 4p
British Steam 4p
CPC Intnl. 55 cents
Cement-Roadstone 7pcPf. 2.275p
Debenhams 7¼pcUns. 2002-07 3.525pc. 7¼pcUns. 2002-07 3.575pc
Dunhill 2.3p
Electra Inv. Tst. 2p
Finlay (James) 2.15p
General Electric Co. 55 cents
Globe Inv. Tst. 5.15p
Hewden-Stuart 10pcCnv.Uns. 2003-05 5pc
London Park Hotels 4.23p
McCorquodale 2.3p
Rolfe and Nolan 4p
Sketchley 11p
Treasury 2pc Index-Linked 1990 £1.0745. 13¼pc 2000-03 6.875pc. 12pc 1905 6pc
Turnbull Scott 8p. A 5p

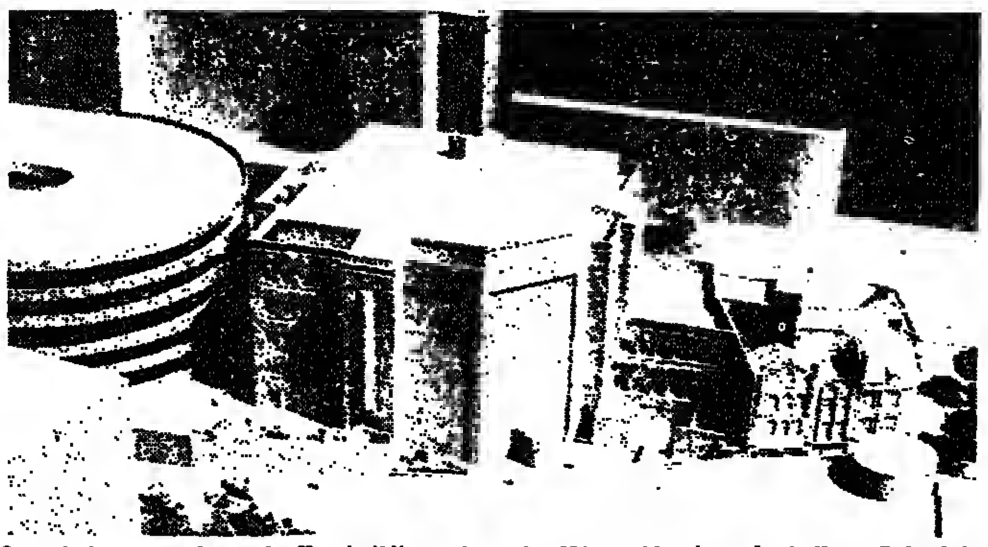
FRIDAY JULY 26
COMPANY MEETINGS—
Associated Heat Services, Grosvenor Hotel, Buckingham Palace Road, S.W., 12.00
Capital and Counties, 40 Broadway, S.W., 11.45
Chamberlin and Hill, Chuckery Foundry, Walsall, 12.00
De La Rue, Cafe Royal, 68, Regent Street, W., 11.30
Electronic Rentals, Howard Hotel, Temple Place, Strand, W.C., 2.30
Henriques (A.), Britannia Hotel, Manchester, 12.00
I.C. Gas, 30-32, St. Mary Axe, E.C., 11.30
MorayFirth, 58, St. James's Street, S.W., 10.30
Northern Foods, Grange Park Hotel, Willerby, Hull, 12.00
Northern Secs., 8, Devonshire Square, E.C., 12.30
Portsmouth and Sunderland Newspapers, News Centre, Hilsea, Portsmouth, 12.30
Stylo, Stylo House, Harrogate Road, Apperley Bridge, Bradford, 10.00
Tesco, Connaught Rooms, Great Queen Street, W.C., 10.00
Thermal Scientific, Waldorf Hotel, Aldwych, W.C., 11.00
Waddington (J.), Haberdashers' Hall, Staining Lane, E.C., 12.00
BOARD MEETINGS—
Finals
DBE Technology
Elbief
Fleming Enterprise Inv Tst
Flextech
Forminster
Highgate and Job
Noepsend
Watsham's
Wintrust
Interims
Burmatex
Lex Service
DIVIDEND & INTEREST PAYMENTS—
Allied-Lyons 4.9p
Atkins Bros. 4p
Bermuda Intl. Bond Fund 30 cents
Burton 2.5p
Chamberlin and Hill 2.1p
Compcott 2p
Dubilier 1.1p
Eldridge, Pope A 2.4p
Extel 5.25p
Fairline Boats 1.5p
Grainger Trust 1.5p
Hanson Trust 1.5p
Hunting Associated 4p
Locker (T.) 0.92p. A 0.92p
Lowe's 9 cents
McCarthy and Stone 0.67p
Metal Box 11.15p
HCR 22 cents
Saul (B. F.) 5 cents
Scottish American Investment 1.95p
Shires Inv 6.5p
Slaters Food 1.3p
TR Natural Res. 4p
Tate and Lyle 7.5p
Treasury 7¾pc 1985-88 3.275pc. 7¼pc 2012-15 3.875pc. 2½pc Index-Linked 2015 £1.3928
Whitbread and Co. A 4.9p. B 4.9p
Whitbread Investment 4.56p

SATURDAY JULY 27
DIVIDEND & INTEREST PAYMENTS—
Horne (Robert) 1.25p. A 1.25p
Mid-Southern Water Co. 3.5pcCons. 1.75pc
PCT 1.6p

SUNDAY JULY 28
DIVIDEND & INTEREST PAYMENTS—
Australia (Comm. of) 13.5pc 2010 6.75pc
Debenhams 5p
Nationwide Bldg. Soc. 12pc Bds. 5/2.56 5pc

CONSTRUCTION CONTRACTS

Building fit for accountants



One of the most advanced office buildings along the M4 corridor is to be built in Bristol for international accountants Arthur Young. The £4½m project in Lewins Mead and Bridewell Street is to be constructed on behalf of property developers MEPC by contractors Sir Robert McAlpine. Work will start by the end of July and the offices are expected to be ready for occupation by early 1987. The building has been designed by the Alec French Partnership to a brief prepared by architects and space planners Austin-Smith Lord. The building will incorporate design features to allow for the integration of computers and communication equipment within the office. Internal layout will be based on a co-ordinated structural grid with raised floors and suspended ceilings, within which all the building's services will be incorporated. The office environment will be controlled by a computerised building management system to ensure maximum saving in energy usage and to optimise the working conditions for the staff. A six-storey glazed atrium provides a focal point for the office areas. Surveyors Lalonde Bros & Parham, who were retained by Arthur Young to locate a suitable city-centre expansion site, have negotiated a rental which works out at less than £8 a sq ft. MEPC were represented by Edward T. Parker and Osmond Tricks.

Refurbishing Alexandra Palace

WALTER LAWRENCE (CITY) has been appointed to carry out the repair, refurbishment and redecoration of the East End of Alexandra Palace, Wood Green, N22, on behalf of the London Borough of Haringey. The repair of this section of the fire-gutted building will cost about £550,000. Management contractors for the project are Taylor Woodrow Construction.

Walter Lawrence Project Management has been awarded the management contract for construction of a food distribution depot for BOC Transhield. To be built in Thatcham, Berkshire, it will be used by BOC to distribute fresh foods on behalf of Marks and Spencer to stores in London and the home counties. The main building of the depot has a total floor area of about 119,000 sq ft. The depot includes a vehicle maintenance building of about 10,750 sq ft.

*

SHEPHERD CONSTRUCTION has a £1.9m contract for the Fisher Building for St. John's College, Cambridge. Work includes demolition of the single-storey block of the Cripps Building situated between the nineteenth century New Court and the main Cripps Building. The Fisher Building on this site will contain a large multi-purpose lecture/concert hall, junior common room and servery, seminar and committee rooms, four music practice rooms, art room, and drawing office.

*

Improvements to 83 council homes in Marple, Stockport, are being carried out by **ROWLINSON CONSTRUCTIONS** of Poynton, under a £706,000 contract for Stockport Metropolitan Council.

*

ALFRED McALPINE SERVICES AND PIPELINES has been awarded a contract worth about £3m by Shell UK Exploration and Production for work on one of Shell/Esso's major North Sea pipelines. The contract involves pre-commissioning (including hydrostatic testing, cleaning, dewatering and vacuum drying) the 300-kilometre subsea pipeline between the Fulmar "A" platform in the North Sea and St Fergus on the east coast of Scotland. It is thought to be the longest pipeline to be pre-commissioned using the vacuum drying technique. Work on land includes construction of a temporary pumping complex in an environmentally sensitive area and precautions will be taken to prevent pollution.

*

ROSEHAUGH STANHOPE DEVELOPMENT is undertaking Phases I and II of the Broadgate project adjacent to British Rail's Liverpool Street Station. These first two phases will provide 450,000 sq ft of office accommodation. The company will supply and erect some 3,600ft of structural steel. Richard Lees are supplying Holorib metal decking. Other items include the stairs, shear studs and pre-encasement of some of the beams. The programme demands that Phases I and II must be completed between the end of August and the beginning of December. The buildings are generally of 8 storeys. Richard Lees is part of Cleveland Redpath Engineering, structural engineering division of Trafalgar House.

*

WILTSHIER SCOTLAND has won three contracts together worth £644,000. Largest is in Shettleston Road, Glasgow, for the Shettleston Housing Association for the rehabilitation of five closes, at £523,000.

£6m orders for Tarmac

Contracts worth more than £6m have been awarded to **TARMAC CONSTRUCTION**.

Two together worth £1.3m have been awarded by Sheffield City Council for improvements and repairs to 59 homes at Burngreave.

Other projects include work on advanced factories at Alness, Ross-shire, for the Highlands and Islands Development Board (£592,000); design and building a retail unit for a do-it-yourself store at Kidderminster, Worcestershire, for Cedarlodge (£483,000); substructure and foundations work at Chatterton House Hospital, Kings Lynn, Norfolk, for the East Anglian Regional Health Authority (£410,000); and industrial units at Kings Norton, Birmingham, for Slough Estates Design and Construction (£383,000).

Maintenance work on the M1, for Buckinghamshire County Council, is valued at £1.5m.

Tarmac Construction, operating as Tarmac Cubitts, has contracts for designing and building factory extensions at Chippenham, Wiltshire, for Westinghouse Brake and Signal Company (£465,000); and refurbishing premises in Cannon Street, London, for Westpac Banking Corporation (£350,000).

Tarmac Refurb has a £683,000 contract for refurbishing three floors of premises in Lionel Street, Birmingham, for the Severn Trent Water Authority.

Norwest Holst busy in the north

NORWEST HOLST SCOTLAND has begun work on two contracts worth £1m: a management contract to rebuild shop premises in Kirkcaldy and construction of Ardrishaig Swing Bridge over the Crinan Canal in Strathclyde.

Shop premises are being built for "What Every Woman Wants (1971) Ltd" in High Street, Kirkcaldy. The project will provide 17,000 sq ft of retail space on two floors behind an existing three-storey building, which will incorporate the new shop front on the ground floor with living accommodation above. Construction is of structural steel with precast concrete flooring units and a metal roof. Installation of all services and finishes is included. Work is due for completion towards the end of 1985.

The bridge job involves removal of the steel and timber superstructure of the existing swing bridge and its replacement with a steel superstructure carrying a cantilevered aluminium walkway. The contract was awarded by the British Waterways Board and is due for completion in February 1986.

Work has started on a £1m sports centre at Hexham. The 30,000 sq ft centre will contain a sports hall, fitness room, meeting room, bar overlooking the hall, a further multi-purpose hall with catering facilities, creche, changing rooms and showers, indoor bowls hall, and bowls spectator area. The ground floor is designed to meet the requirements of disabled people and there will be a lift to the first floor bar and rooms. The development includes a 27,000 sq ft retail store.

The scheme is being undertaken by Norwest Holst Developments in partnership with Tynedale District Council, and the centre is being built by Norwest Holst Construction. It is planned to be completed by April 1986.

*

IDC, Stratford-upon-Avon, has been awarded a multi-million pound design and construction contract for the car delivery centre for the Honda of The UK Manufacturing Company at South Marston Airfield near Swindon. In the contract are ancillary buildings, including a power house and two security gate houses. Completion is scheduled for late summer 1986.

Wimpey to build homes at Stevenage

Stevenage Borough Council has placed a £3.4m contract with **WIMPEY CONSTRUCTION UK** to build a mixture of houses, flats and bungalows in traditional construction at Hoppit and Bandley Bottom, Stevenage. The contract provides for 27 flats, 44 bungalows and 74 houses in one and two-storey blocks and will include 84 garages and 4 car ports, roads, sewers and services. Construction has started and will be completed by January 1987.

In the Haymarket, SW1, a block (Nos 30-34) which includes a shop where Lord Nelson bought his tobacco, is to be redeveloped and refurbished in a £4m contract. The historic tobacconist's shop, Fribourg and Treyer, one of the two listed buildings on the site, will be retained in its exact form. The remainder, which borders Shavers Place on the south and east, will be redeveloped into retail shops, six floors of offices and five flats. Developer is Taylor Clark; joint letting agents are Strutt and Parker and D. E. & J. Levy; and Costain Renovations is the main contractor. Work was started in March with completion in November 1986. Total office floor area will be 19,000 sq. ft. The new part of the block will have a reinforced concrete frame and the elevations will be a mixture of Portland stone and brick. The buildings to be demolished have projecting bay windows, which feature is to be incorporated within the office block giving views up and down Haymarket. Brickwork will match the London stock of the Georgian numbers 33 and 34. The front of Fribourg and Treyer's shop will be retained including the panelling, counter, screen, stairs, double-bow shop windows and shutters. Two panoramic lifts will serve the office floors and look out through curtain walls on to the landscaped courtyard in the centre of the block.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

August 18-21
International Craft and Hobby Fair (04252 72711)
Wembley Conference Centre

August 25-28
Scottish Autumn Gift Fair (0764 4204) Anderston Centre, Glasgow

August 28-30
International Software Engineering Exhibition and Conference (01-240 1871)
Imperial College, London

August 29-September 1
International Home/Show Video and Television—VIDTEL (021-780 4171) NEC, Birmingham

September 1-4
International Menswear Fair — MAB (0727 63213) Earls Court

September 1-5
Autumn Gifts Fair (01-855 9201)
Olympia

September 3-5
British Yarn Show (0274 724235)
Holiday Inn, Leicester

September 10-12
Hire Equipment Exhibition—HIRE EQUIP (01-688 7788)
Belle Vue, Manchester

September 10-13
Offshore Europe 85 conference and exhibition (01-549 5831)
Aberdeen

September 11-12
Incentive Travel Exhibition (01-688 7788) Novotel, London

OVERSEAS TRADE FAIRS

Current
International Cultivation, Harvesting and Packaging in Viticulture, Horticulture and Veg Growing Exhibition (0869 252131) (until July 25) Kishinev

August 7-10
International Computer, Telecommunications and Office Automation Exhibition — INFOTECH THAI (04867 81084) Bangkok

August 16-18
International Men's Fashion Week and International Jeans Fair (01-930 7251) Cologne

August 20-23
Advertising and Marketing Exhibition — ADSERV (01-487 2983) Johannesburg

August 24-28
Frankfurt International Fair (01-734 0543) Frankfurt

August 25-30
International Heating, Ventilating and Air Conditioning Congress and Exhibition — CLIMA 2000 (Denmark 45 01 63 323000)
Copenhagen

August 26-29
World Congress and International Exhibition on Heating, Ventilation and Air-Conditioning (45-1-63 32 30) Copenhagen

August 27-29
Finnish Fashion Fair (01-486 1951) Helsinki

August 27-29
International Security Conference and Exhibition ISC/EAST (01-891 5051) New York

August 30-September 6
International Audio and Video Fair (01-749 3061) Berlin

September 1-7
International Autumn Fair (01-493 3111) Leipzig

September 6-9
International Fair—MACEF (01-242 7829) Milan

BUSINESS CONFERENCES

July 28-31
Kluwer Conferences: Marketing Insurance (01-568 6441)
Cookham, Berks

August 18-23
International congress of nutrition and exhibition (0273 695811)
Brighton

August 18-23
Dataquest: 1985 Financial services program technology directors conference (01-409 1427) California

September 2-3
The Plastics and Rubber Institute: Impact testing and performance of polymeric materials (01-245 9555) University of Surrey, Guildford

September 2-4
Management Training Consultants: Successful managers in action (Leicester 27062)
Leicester

September 4-6
Frost and Sullivan: Integration of voice and data communications (01-486 0334) Stockholm

September 5-6
Reed Conferences: The Motor Ship's second international ship repair, spares and maintenance conference (01-643 8040)
Royal Garden Hotel, W8

September 9-10
Oyez IBC: 1985 European conference on solid modelling (01-236 4080) Marriott Hotel, W1

September 10
Tolley's: Acquisitions and mergers (01-686 9141)
London Press Centre

September 11-13
Cambridge Business Conferences: Business transactions with developing countries (0233 354978)
Peterhouse, Cambridge

September 11-13
Risk Research Group: Captive insurance companies (01-236 2175) Gloucester Hotel, London

September 12
IPE oil futures seminar: The practical applications of oil futures trading (01-481 2080)
City Conferences Centre, EC3

September 16-19
Labmate: International environment and safety conference (0727 51993) Olympia

September 20
The Economist: Intrapreneurship in Practice: creating and managing innovation in large corporations (01-839 7000)
The New Piccadilly Hotel, W1

September 16
Longman Seminars: Data protection registration — the practical problems (01-404 4756)
Barbican, EC2

September 25-27
Platts Oilgram News: Compare and evaluate positions on crude stocks and product imports in European markets (New York 512 4931) Hotel Athenaeum, Inter Continental, Athens

September 25-26
Institute for International Research: The financial and commercial opportunities for the ECU (01-434 1017)
10 St James's Square, SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

Closing prices, July 19

Indices

NEW YORK

DOW JONES

	July 19	July 18	July 17	July 16	July 15	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
♦Industri'ls	1359.84	1350.82	1357.57	1347.88	1335.46	1359.54 (19/7)	1184.96 (4/1)	1362.54 (16/7/85)	41.28 (2/7/32)
Home Bnds	80.14	80.26	80.55	80.66	80.46	80.65 (16/7)	72.27 (20/6)	—	—
Transport	700.73	690.04	702.5	700.14	689.26	702.6 (17/7)	653.03 (4/1)	702.6 (17/7/85)	12.32 (8/7/32)
Utilities	166.24	167.06	168.34	168.24	166.65	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
TradingVol 000's	114,630	131,350	159,920	132,500	103,920	—	—	—	—

♦Day's High 1363.35 (1363.24) low 1346.44 (1345.59)

	July 12	July 5	June 28	year ago (approx)
Industrial div. yield %	4.58	4.59	4.59	5.10

STANDARD AND POOR'S

	July 19	July 18	July 17	July 16	July 15	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Indust'ls	215.83	214.47	213.52	214.15	211.78	215.83 (19/7)	186.24 (4/1)	215.83 (12/7/85)	3.62 (30/6/32)
Comp'site	196.13	194.39	195.65	194.72	192.72	195.66 (17/7)	163.68 (4/1)	195.66 (17/7/85)	4.40 (1/6/32)

	July 10	July 3	June 26	year ago (approx)
Industrial div. yield	3.69	3.70	3.79	4.32
Industrial P/E ratio	11.99	11.96	11.90	10.65
Long Gov. Bond yield	10.26	10.44	10.67	15.31

N.Y.S.E. ALL COMMON

July 19	July 18	July 17	July 16	1985 High	1985 Low
113.26	112.81	113.49	113.05	113.49 (17/7)	94.60 (4/1)

Rises and Falls

	July 19	July 18	July 17
Issues Traded	2,010	2,025	2,018
Rises	1,066	596	958
Falls	540	883	671
Unchanged	404	436	389
New Highs	—	118	258
New Lows	—	5	6

TORONTO	July 19	July 18	July 17	July 16	1985 High	1985 Low
Metals & Minerals	2026.1	2018.6	1981.8	2022.7	2160.07 (15/2)	1839.5 (9/7)
Composite	2804.1	2802.2	2804.2	2775.7	2804.9 (17/7)	2348.3 (4/1)
MONTREAL Portfolio	139.55	139.90	136.75	136.66	139.33 (15/7)	117.00 (4/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Searle	2,226,400	68¼	+ ⅛
Phillips Pet.	2,017,500	12	+ ⅛
Crown-Zell.	1,988,500	41½	− ⅜
Bank America	1,816,700	17¼	− ⅜
Monsanto	1,776,200	52⅝	+2⅞
IBM	1,362,300	129⅝	+ ½
LTV Corp.	1,232,800	8⅞	+ ⅜
Bellsouth	1,125,900	41⅝	− ⅛
City Invest.	1,038,900	29¾	+ ½
NCR	1,010,500	35	+1¾

	July 19	July 18	July 17	July 15	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	920.2	922.5	912.8	902.5	922.3 (18/7)	716.3 (7/1)
Metals & Mins. (1/1/80)	525.8	527.5	513.5	505.5	585.5 (29/5)	462.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	95.25	97.73	98.27	96.81	105.73 (17/5)	85.21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2311.42	2302.91	2294.87	2296.45	2484.12 (6/5)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	209.76	210.07	211.56	210.77	211.59 (11/7)	156.44 (8/1)
FRANCE						
CAC General (31/12/82)	217.9	219.6	219.8	218.9	231.1 (31/5)	180.8 (3/1)
Ind Tendance (28/12/84)	124.6	125.7	125.9	125.3	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	480.57	476.41	469.48	469.78	502.82 (5/7)	382.39 (3/1)
Commerzbank (1/12/53)	1412.1	1399.6	1377.0	1378.8	1493.2 (5/7)	1111.6 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1687.87	1672.84	1647.9	1632.99	1678.87 (19/7)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	356.38	356.4	351.84	356.52	356.4 (18/7)	228.58 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12769.54	12862.54	12848.49	12699.28	13040.1 (6/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1042.05	1042.58	1045.1	1051.6	1057.65 (10/7)	916.91 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	218.2	218.1	215.10	215.10	221.2 (5/7)	185.6 (8/1)
ANP-CBS Indust (1970)	188.2	185.6	182.6	181.8	186.5 (8/7)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	340.05	337.61	337.6	334.25	345.87 (3/5)	288.16 (2/1)
SINGAPORE						
Straits Times (1966)	756.67	758.28	727.55	722.6	862.65 (7/3)	717.85 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	978.3	965.1	960.1	1140.6 (15/4)	859.7 (11/2)
JSE Indust (28/9/78)	—	1054.8	1038.6	1036.8	1058.8 (18/7)	787.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	109.68	109.89	110.39	110.39	117.41 (4/2)	101.45 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1560.7	1525.8	1507.74	1587.74	1496.99 (11/3)	1286.82 (8/7)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	469.7	467.2	454.5	454.8	469.1 (8/7)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	225.4	224.5	221.5	224.8 (17/7)	184.6 (4/1)

** Saturday July 6: Japan Nikkei-Dow 13,040.1. TSE 1,048.20.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, closing prices, July 19

Continued from Page 29

CANADA

TORONTO

Closing prices July 19

MONTREAL

Closing prices July 19

AUSTRIA

1985 High	1985 Low	July 12	Price Sch %
381	295	Creditanstalt Pfd.	333
553	330	Goesser	320
1,960	400	Interunfall	1,675
383	229	Laenderbank	340
670	635	Perlmooser	676
220	165	Steyer-Daimler	171
520	943	Veitscher Mag.	554

BELGIUM/LUXEMBOURG

1985 High	1985 Low	July 19	Price Frs.
2,039	1,750	B.B.L.	2,915
6,500	6,750	Banq. Gen Lux	6,399
6,200	6,460	Banq. Int. A. Lux	6,029
6,220	4,380	Bekaert B.	5,739
2,710	2,260	Ciment CBR.	2,360
287	204	Cockerill	206
9,300	5,530	Delhaize	8,700
3,140	2,770	EBES	2,870

DENMARK

FRANCE

GERMANY

NORWAY

SWITZERLAND

SWEDEN

AUSTRALIA

ITALY

NETHERLANDS

SINGAPORE

SOUTH AFRICA

SPAIN

JAPAN

HONG KONG

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Closing prices, July 19

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.1	17	35	22⅞	22⅝	22⅝	−¼
17⅜	9⅜	AGS			14	128	16½	16¼	16½	+⅛
16½	8⅝	AMCA				6	12¼	11⅞	12¼	+¼
21½	13	AMF	.50	3.7	41	254	13½	13¼	13½	+⅛
13⅝	12⅞	AMF wd				87	13½	13⅜	13⅜	
60¾	24¼	AMR			8	3765	48¼	47½	47¾	−⅝
22⅞	16⅝	AMR pf	2.16	9.7		21	22½	22½	22½	
23	19	ANR pf	2.12	11.		1	20	20	20	
14¼	7⅝	APL				219	8½	8½	9½	+1½
61⅛	44⅞	ASA	2.40			78	50	49⅝	49⅝	
27	12½	AVX	.32	2.3	11	421	13¾	13¼	13¾	+¼
28⅛	16	AZP	2.72	10	8	1443	27¼	26½	26¾	−⅜
60	36¾	AbtLab	1.40	2.3	17	2022	59⅞	59¼	59⅝	+⅜
25⅛	19	AccoWd	.50	2.2	12	101	22⅞	22½	22¾	−⅛
24¾	12½	AcmeC	.40	2.4		154	16½	16	16½	+¼
10½	7⅜	AcmeE	.32b	4.3	9	56	7⅝	7⅜	7½	+⅛
18¾	15	AdaEx	1.92e	10		144	18¾	18⅝	18¾	
20	11⅞	AdmMl	.32	1.8	7	78	17⅞	17¼	17⅝	+⅜
19½	8⅝	AdvSys	.53t	4.5	19	57	12⅛	11⅞	11⅞	−⅛
41⅛	22⅛	AMD			13	5808	29¾	29¾	29¾	+¾
12¾	6⅞	Advest	.12	1.2		508	10	9¾	10	+⅛
15⅞	9	Aerflex			14	58	15⅜	15⅛	15⅛	−⅛
49⅝	27¼	AetnLf	2.64	5.5	35	1446	48⅝	48	48	−⅝
57⅜	52⅜	AetL pf	5.79e	10		16	56	55¾	55¾	+⅛
37⅜	18¼	Ahmns	1.20	3.8	13	2893	31¾	30⅝	31⅝	+1
3⅜	2½	Aileen				12	2¾	2¾	2¾	
56¼	38⅝	AirPrd	1.20	2.2	12	493	55⅝	54⅞	55½	
24⅜	13	AirbFrt	.60	2.8	12	115	21½	21⅛	21½	+½
2⅛	1	AlMoa s				147	2	1⅞	2	+⅛
33⅜	27¼	AlaP pfA	3.92	13		41	31½	31¼	31¼	−⅛
8⅛	8¼	AlaP dpf	.87	11		52	8⅛	7⅞	8	
82	61½	AlaP pf	9	11		z265	82	81	81	+1
104	88¼	AlaP pf	11	10		z10	u105	105	105	−1

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	12 Month Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅝	13⅝	Paprcft.40j			18	404	19⅜	19¼	19⅜	+⅛
18⅞	9⅝	Pardyn			01	894	11⅝	11	11¾	−¼
21⅞	11½	ParkE s			10	30	13⅝	13¼	13¼	−⅛
8⅞	4⅝	ParkDri.16		5.2		703	5	4⅞	5	+⅛
36½	25¼	ParkH	1.12	3.3	11	409	33¾	33⅜	33⅝	+⅛
19⅞	14	ParkPn.52t		2.7	48	207	19⅝	19⅜	19½	+⅛
2½	1⅛	PatPtrl			4	171	2⅜	2⅛	2¼	
17½	11½	PayNP	.64	4.5	15	221	14⅜	14⅛	14¼	−⅛
23⅜	13½	PayCsh	.18	.9	17	3228	18¾	17⅝	18¾	+⅜
11⅛	6¼	Peabdy	.20	1.0	27	653	u11¼	10⅝	11¼	+⅜
1⅞	5-16	Pengo				59	9-16	½	½	
58⅝	49¾	PenCen			11	1751	54¼	52½	54⅛	+2⅛
55⅞	44⅝	Penney	2.36	4.7	0	941	50½	50	50⅛	
27⅞	21¼	PaPL	2.50	9.2	9	2007	27¾	27⅝	27¾	+⅛
40¾	30½	PaPL	pl4.40	12.		z220	39	38	38	+⅛
40½	30	PaPL	pl4.50	11.		z10	39¼	39¼	39¼	
28½	23½	PaPL	dpr3.42	12.		25	26⅞	25⅝	25⅝	−¼
27½	20¼	PaPL	dpr2.80	11.		20	26¼	26¼	26¼	+¼
72¾	56½	PaPL	pr8.40	12.		z270	70	70	70	
31¼	25¼	PaPL	dpr3.75	12.		34	31	30⅞	30⅞	−⅛
100	81¾	PaPL	pr 11	11.		z120	96	96	96	
106	94⅛	PaPL	pr 13	12.		z150	106	106	106	
70⅜	58	PaPL	pr 8	12.		z100	67½	67½	67½	+½
73¼	50½	PaPL	pr8.70	11.		z340	u76	72	76	+3
40⅜	31½	Penwlt	2.20	5.4	13	253	u40¾	40	40½	+¾
59½	48¼	Penw	pf2.50	4.1		45	u60⅝	58⅝	60⅝	+⅞
25⅞	20	Penw	pf1.60	6.4		59	25	24¼	25	+⅛
[illegible]										
17	11¾	Rexnrd	.44	3.0	10	569	14⅞	14½	14⅞	+½
32½	26½	Reynlns	1.30	4.1		4936	29	28¾	29	
50	46⅝	Reyln	pl4.10	8.4		8	49⅛	48⅞	48⅞	+⅛
41¼	28⅛	ReyMtl	1	2.0	7	662	38⅜	80⅛	38⅜	+⅝
38¼	25⅞	RchVck	1.48	4.0	12	982	38¾	38	38⅝	+1⅛
26	17¼	RiegelTx	1.80	8.0		67	22⅝	22¼	22⅝	+¾
33⅛	20¾	RiteAid	.50	1.9	17	2605	27¾	27¼	27¾	+⅜
7⅞	3⅜	RvrOk	n		10	32	4⅛	4⅛	4⅛	−⅛
36⅝	27¼	Robshw	1.12	3.4	7	68	33¼	33	33⅛	−⅛
44½	28	Robtsn	1.68	5.2	16	162	30⅝	30	30½	+⅛
24⅞	12	Robins				392	19⅛	18¾	18⅞	+⅛
24¾	13⅞	RochG	2.20	8.8	7	354	24¾	24⅝	24¾	+⅛
42⅛	27⅝	RochTl	2.44	6.1	10	75	40⅛	39¾	40⅛	+⅛
40⅞	27½	Rockwl	1.12	2.7	10	2846	u41	40¼	40⅞	+½

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, July 19

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices, July 19

Stock	Sales (Hunds)	High	Low	Last	Chng
[illegible]					

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down but not out

BY JONAS CROSLAND

If comments by Mr Malcolm Baldrige, U.S. Commerce Department Secretary, are to be believed, then it would seem that the dollar is being encouraged to fall in a very round about and clouded fashion. Speaking after the release of revised second quarter GNP figures, Mr Baldrige expressed his desire to see a cut in the value of the dollar by about 25 per cent of its current value.

Unfortunately, politicians, and indeed all of us, rarely get what they want. What is certain is the seemingly *organised* disorderly fashion in which the market is fed with economic data and projections about the U.S. economy. That the dollar is down but not yet out could merely be a result of the confused and sometimes contradictory interpretations arrived at in the market. Most people are fairly sure that the dollar is likely to fall still further. For the authorities it is a matter of softening the burden.

With GNP suffering a further downward revision, the need to provide some sort of stimulus becomes more pressing. However the prospect of a lower discount rate may have been put on *ice for the time being because* of problems with Mr Reagan's budget proposals and Mr Volcker's clearly indicated desire nor to pursue any course of action that could be remotely construed as inflationary.

The dollar's weaker trend has not produced as yet the more usual domino effect on other currencies. The EMS is becoming increaseingly more mature helped by sterling's recent attraction. The latter has effectively prevented any strain building up, due to a sharp rise in the value of the D-mark, simply because funds moving out of the dollar have found sterling's attraction preferable to the *D-mark*.

STERLING INDEX

	July 19	Previous
8.30 am	84.0	83.8
9.00 am	84.1	83.8
10.00 am	83.9	83.8
11.00 am	83.8	83.9
Noon	83.8	83.8
1.00 pm	84.7	83.8
2.00 pm	83.8	84.1
3.00 pm	83.8	83.8
4.00 pm	84.1	83.9

£ IN NEW YORK

	July 18	Prev. close
£ Spot	$1.3930-1.3950	$1.4015-1.4075
1 month	0.51-0.42 pm	0.53-0.52 pm
3 months	1.30-1.28pm	1.32-1.30 pm
12 months	3.20-3.13pm	3.42-3.35 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

July 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3940-1.4080	1.3985-1.3995	0.52-0.49c pm	4.33	1.32-1.27pm	2.70
Canada	1.8825-1.8940	1.8825-1.8875	0.54-0.45c pm	3.15	1.31-1.17pm	2.63
Nethlnd.	4.51-4.55	4.53¼-4.54¼	2⅛-2⅛c pm	5.95	6¼-5⅞pm	5.34
Belgium	80.56-81.59	81.20-81.30	30-25c pm	4.06	62-53pm	2.83
Denmark	14.43¼-14.56	14.43¼-14.44¼	3⅞-2⅛ore pm	2.75	9½-7⅛pm	2.18
Ireland	1.2821-1.2967	1.2887-1.2937	0.30-0.10p pm	2.06	0.75-0.45pm	1.86
W. Ger.	4.01-4.06	4.03½-4.04½	2⅛-2⅛pf pm	7.43	8⅛-18⅛pm	6.50
Portugal	231-237½	231-237	120-475c dis	−15.26	475-1595d	−17.89
Spain	232½-236	232½-235½	25-50c dis	−1.92	145-195dis	−2.91
Italy	—	—	—	—	—	—
Norway	11.64½-11.71¼	11.68½-11.69½	¾ pm-par	0.38	1⅛-2⅛dis	−0.73
France	12.18¼-12.43¼	12.27-12.28	3-2¼c pm	2.57	6½-5¼pm	1.91
Sweden	11.72¼-11.79	11.72½-11.73½	2¼-3½ore dis	−3.07	9¼-9⅛dis	−3.13
Japan	332¼-334¾	333-334	1.75-1.65y pm	6.12	4.57-4.43pm	5.40
Austria	28.21-28.44	28.36-28.44	15⅛-14gro pm	6.21	39½-34pm	5.19
Switz.	3.31½-3.34¼	3.31½-3.32½	2¼-1⅛c pm	7.45	5¾-5⅝pm	6.85

Belgian rate is for convertible francs. Financial franc 81.30-81.40. Six-month forward dollar 2.27-2.22c pm. 12-month 3.35-3.20c pm.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.3990	1.3940	1.3861	1.3766	1.3663
D-Mark	4.04	4.0159	3.9731	3.9159	3.8256
French Franc	12.2750	12.2518	12.2370	12.2559	12.2594
Swiss Franc	3.3200	3.2999	3.2646	3.1218	3.1344
Japanese Yen	330.50	328.80	326.0	322.13	316.05

BANK OF ENGLAND TREASURY BILL TENDER

	July 10	July 12		July 10	July 12
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.1706%	11.5115%
Total of applications	£453.735m	£463.2m	Average rate of discount	11.1325%	11.4987%
Total allocated	£100m	£100m	Average yield	11.43%	11.84%
Minimum accepted bid	£97.215	£97.13	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	49%	33%			

OTHER CURRENCIES

July 19	£	$		£ Note Rates
Argentina Austral	1.1812-1.1818	0.8000-0.8010	Austria	28.20-28.50
Australia Dollar	1.0520-1.8560	1.3930-1.3950	Belgium	81.30-82.10
Brazil Cruzeiro	8.764-8.777	6.260-6.280	Denmark	14.43-14.57
Finland Markka	8.4280-8.4741	6.0180-6.0200	France	19.18-19.31
Greek Drachma	179.86-183.77	128.10-130.70	Germany	4.01-4.05
Hong Kong Dollar	10.8430-10.8730	7.7450-7.7550	Italy	2585-2650
Iran Rial	124.90*	89.00*	Japan	334-337
Kuwait Dinar (KD)	0.4188-0.4193	0.29925-0.29935	Netherlands	4.31½-4.55½
Luxembourg Fr.	80.05-81.05	57.60-57.70	Norway	11.64-11.76
Malaysia Dollar	3.4405-3.4595	2.4640-2.4690	Portugal	226-237
New Zealand Dlr.	9.7650-9.7730	1.8710-1.8750	Spain	225-234
Saudi Arab Riyal	5.1088-5.1168	3.6505-3.6510	Sweden	11.70-11.82
Singapore Dollar	3.0835-3.0836	2.2083-2.2073	Switzerland	3.31-3.34
Sth African Rand	2.6320-2.6347	1.8875-1.8810	United States	1.38½-1.41½
U.A.E. Dirham	5.1389-5.1477	3.6720-3.6730	Yugoslavia	372-407

* Selling rate.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3940-1.4080	1.3985-1.3995	0.52-0.49c pm	4.33	1.32-1.27pm	3.70
Ireland†	1.0750-1.0837	1.0750-1.0800	0.25-0.13c pm	2.20	0.60-0.40pm	1.83
Canada	1.3430-1.3482	1.3430-1.3440	0.12-0.16c dis	−1.20	0.34-0.38dis	−1.08
Nethlnd.	3.2140-3.2580	3.2490-3.2500	0.43-0.40c pm	1.53	1.44-1.41pm	1.75
Belgium	—	3.2490-3.2500	4-5c dis	−0.93	13-15dis	−0.97
Denmark	10.31-10.40½	10.36¼-10.36¾	1-1½ore dis	−1.45	3¼-3¾dis	−1.38
W. Ger.	2.8570-2.8950	2.8860-2.8870	0.73-0.68pf pm	2.95	2.18-2.13pm	3.01
Portugal	166½-168	167-168	150-400c dis	−19.74	500-1300d	−21.56
Spain	165.35-167.25	165.70-165.90	83-93c dis	−6.38	275-305dis	−7.00
Italy	—	—	—	—	—	—
Norway	8.32-8.38	8.34¼-8.34¾	2½-3ore dis	−2.86	9¼-9¾dis	−4.32
France	8.70-8.78	8.77¼-8.77¾	1.20-1.30c dis	−1.72	3.50-3.80dis	−1.68
Sweden	8.37-8.41½	8.40¼-8.40¾	5-5½ore dis	−7.52	14-14½dis	−6.91
Japan	237.20-238.70	238.55-238.65	0.37-0.33y pm	1.77	1.07-1.02pm	1.76
Austria	20.14¼-20.33½	20.21-20.24	3½-2¼gro pm	1.86	10-7½pm	1.74
Switz.	2.3720-2.3870	2.3770-2.3780	0.62-0.56c pm	2.98	1.79-1.73pm	2.96

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 58.10-58.20.

CURRENCY MOVEMENTS

July 19	Bank of England Index	Morgan Guaranty Change %
Sterling	84.1	−5.8
U.S. dollar	138.5	+24.4
Canadian dollar	87.3	−6.5
Austrian schilling	115.0	+3.8
Belgian franc	70.4	−10.8
Danish Kroner	78.8	−5.5
Deutsche mark	124.3	+7.1
Swiss franc	146.0	+10.4
Guilder	114.7	+3.5
French franc	66.4	−14.6
Yen	159.2	+13.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.732509	0.558405
U.S. $	7½	1.02793	0.783722
Canadian $	9.45	*	1.05528
Austria Sch.	4½	20.7272	13.8469
Belgian Fr.	9½	59.3835	45.6635
Danish Kr.	7	10.6185	8.10750
D'mark	4½	3.05047	2.25359
Guilder	5½	3.32381	2.53612
French Fr.	9½	8.97383	6.84039
Lira	15½	N/A	1460.47
Yen	5	245.007	186.596
Norway Kr.	8	8.57602	6.55371
Span'h Pta.	—	170.137	130.098
Swedish K.	10½	8.62690	6.56265
Swiss Fr.	4	2.43311	1.86134
Greek Dr'ch	20½	132.885	101.665
Irish Punt	13¾	N/A	0.718483

*C$/SDR rate for July 18: 1.39088.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.3148	+0.92	+0.61	±1.5471
Danish krone	8.14104	8.10760	−0.41	−0.69	±1.6419
German D-mark	2.24184	2.25359	+0.52	+0.24	±1.1475
French franc	6.87456	6.84032	−0.50	−0.78	±1.3669
Dutch guilder	2.52595	2.53612	+0.40	−0.12	±1.5171
Irish punt	0.72569	0.718433	−0.99	−1.27	±1.6673

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 19	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Fr.	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.399	4.040	333.5	12.28	3.590	4.538	—	1.885	81.25
U.S. Dollar	0.715	1.	2.887	238.6	8.778	2.378	3.250	—	1.347	58.05
Deutschemark	0.248	0.346	1.	82.65	3.038	0.622	1.123	—	0.467	20.11
Japanese Yen 1,000	2.999	4.195	12.11	1000.	36.81	9.955	13.61	—	5.652	243.6
French Franc 10	0.815	1.140	3.291	271.7	10.	2.705	3.697	—	1.536	66.19
Swiss Franc	0.301	0.421	1.217	100.6	3.687	1.	1.367	—	0.568	24.47
Dutch Guilder	0.220	0.308	0.890	73.50	2.705	0.732	1.	—	0.415	17.81
Italian Lira 1000	—	—	—	—	—	—	—	—	—	—
Canadian Dollar	0.531	0.742	2.143	176.9	6.512	1.781	2.407	—	1.	43.10
Belgian Franc 100	1.231	1.722	4.972	410.5	15.11	4.086	5.585	—	2.320	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅝-12⅞	7⅞-8⅛	8-8⅛	6½-6¾	—	—	8⅝-9¾	11-12	8¾-8	9⅜-9⅞	6¼-6⅜	8¼-10¼
7 days' notice	12⅛-12⅝	7⅞-7½	8⅜-8⅞	6½-6¾	—	—	8⅝-9¾	10¾-11¾	8⅞-9⅛	8⅝-9⅞	6¼-6⅜	2⅜-10¼
Month	12¼-12⅜	7⅞-8	8⅞-9⅛	6⅝-6¾	4⅞-3	6-6⅛	10¾-11	11¼-11¾	9-9¼	8¾-9⅛	6⅛-6⅜	9⅜-9⅞
Three months	11⅞-11⅞	8-8⅛	9-9⅜	6¼-6⅜	5-5⅛	3-6⅛	10¼-10¾	12-12⅛	9-9¼	8⅞-9⅛	6⅛-6⅜	9⅝-9⅞
Six months	11⅞-11⅞	8⅛-8⅝	9⅛-9⅜	6⅛-6⅜	5-5⅛	5⅛-5⅛	10¼-10¾	13-13⅛	9⅛-9⅜	9-9¼	6¼-6⅜	9½-10
One year	11⅞-11⅞	8⅞-8⅞	9¾-9⅞	6¼-6⅜	5-5⅛	5¼-5⅜	11-11⅛	14⅛-14	9⅜-9⅝	9-9½	6¼-6⅜	9⅝-10⅛

Asian $ (closing rates in Singapore): Short-term 7⅞-7⅞ per cent; seven days 7⅞-7⅞ per cent; one month 7⅞-8 per cent; three months 7⅞-8⅛ per cent; six months 8½-8⅝ per cent; one year 8½-8⅝ per cent. Long-term Eurodollars: two years 9⅛-9⅜ per cent; three years 9⅞-10⅛ per cent; four years 10⅛-10⅜ per cent; five years 10⅜-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	91.76	91.89	91.74	91.93
Dec	91.34	91.47	91.32	91.49
March	90.92	91.00	90.94	91.04
June	90.54	90.60	90.53	90.64
Sept	90.19	—	—	90.29

Estimated volume 6,024 (8,546)
Previous day's open int 19,224 (—)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	88.64	88.72	88.63	88.74
Dec	89.25	89.34	89.26	89.30
March	89.45	89.55	89.50	89.48
June	89.51	89.60	89.60	89.53
Sept	89.51	—	—	89.53

Estimated volume 2,075 (2,637)
Previous day's open int 6,771 (—)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	112-16	112-25	112-08	112-24
Dec	112-12	—	—	112-30
March	113-04	—	—	112-15

Estimated volume 2,822 (3,389)
Previous day's open int 4,058 (—)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −25 to −15 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3930	1.3995	1.3885	1.3970
Dec	1.3825	1.3887	1.3815	1.3860
March	1.3755	—	—	1.3785

Estimated volume 253 (1,968)
Previous day's open int 3,081 (—)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3487	0.3502	0.3485	0.3497
Dec	0.3515	—	—	0.3525

Estimated volume 153 (193)
Previous day's open int 433 (—)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4228	—	—	0.4237

Estimated volume nil (3)
Previous day's open int 181 (—)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4207	0.4205	0.4205	0.4209

Estimated volume 3 (8)
Previous day's open int 473 (—)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	125.45	125.45	124.10	124.50
Dec	126.25	125.00	125.00	125.30

Estimated volume 190 (207)
Previous day's open int 1,566 (—)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	76-09	76-29	76-06	77-01
Dec	75-06	75-22	75-07	75-29
March	74-06	—	—	74-29

Estimated volume 3,366 (5,897)
Previous day's open int 3,040 (—)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	76-14	76-29	76-04	76-16
Dec	75-12	75-27	75-02	75-16
March	74-12	74-26	74-03	74-17
June	73-15	73-25	73-05	73-20
Sept	72-20	72-27	72-12	72-25
Dec	71-27	72-01	71-19	71-31
March	71-03	71-06	70-27	71-07
June	70-12	—	—	70-16
Dec	69-05	—	—	69-08
March	68-18	—	—	68-22

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.82	92.89	92.75	92.83
Dec	92.53	92.59	92.47	92.55
March	92.18	92.22	92.12	92.19
June	91.86	91.87	91.80	91.86
Sept	91.55	91.55	91.49	91.55
Dec	91.28	91.32	91.22	91.28
March	91.05	91.05	91.02	91.05
June	90.83	90.83	90.80	90.83

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.12	92.16	92.03	92.14
Dec	91.70	91.77	91.63	91.74
March	91.27	91.27	91.25	91.30
June	90.89	—	—	90.90

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	91.80	91.89	91.72	91.84
Dec	91.38	91.46	91.30	91.41
March	90.96	91.01	90.89	90.97
June	90.56	90.63	90.51	90.57
Sept	90.21	90.26	90.16	90.22
Dec	89.89	89.94	89.84	89.90
March	89.59	89.64	89.56	89.60
June	89.31	89.36	89.28	89.32

STERLING (IMM) $ per £

	Latest	High	Low	Prev
Sept	1.3860	1.4020	1.3775	1.3910
Dec	1.3780	1.3910	1.3670	1.3805
March	1.3690	1.3800	1.3600	1.3740
June	1.3610	—	1.3500	1.3660
Sept	—	—	—	1.2505

GNMA (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	75-21	76-10	75-21	76-09
Dec	74-28	75-20	74-26	75-14
June	73-22	73-29	73-22	74-08
Sept	73-04	73-08	73-04	73-18

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	July 19	change	NEW YORK	July 10	change
Base rates	12-12½	Unch'd	Prime rates	9½	Unch'd
7 day Interbank	12⅛	−⅛	Federal funds	8	+¼
3mth Interbank	11⅞	−⅛	3 Mth. Treasury Bills	7.17	+0.05
Treasury Bill Tender	11.1325	−0.3662	6 Mth. Treasury Bills	7.28	+0.04
Band 1 Bills	11⅛	Unch'd	3 Mth. C D	7.75	+0.08
Band 2 Bills	11⅛	Unch'd	**FRANKFURT**		
Band 3 Bills	11¼	Unch'd	Lombard	6.0	Unch'd
Band 4 Bills	11⅛	Unch'd	One Mth. Interbank	5.95	−0.10
3 Mth. Treasury Bills	11⅛	−⅛	Three month	6.325	−0.025
1 Mth. Bank Bills	11⅞	−⅛	**PARIS**		
3 Mth. Bank Bills	11⅝	−¼	Intervention Rate	9⅝	−¼
TOKYO			One Mth. Interbank	9⅞	−⅛
One month Bills	6.34373	+0.0625	Three month	9⅞	−⅛
Three month Bills	6.34375	Unch'd	**MILAN**		
BRUSSELS			One month	13⅞	−¼
One month	8⅛	−⅛	Three month	14⅛	Unch'd
Three month	8¼	−¼	**DUBLIN**		
AMSTERDAM			One month	—	—
One month	6½	−⅛	Three month	—	—
Three month	6⅝	−⅛			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £
Moderate trading as a result of a strong pound.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
583	1106	8339	5184

Eurodollar Future—points of 100%
Active trading within a wide range in the underlying future created record volumes in this option.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
325	176	461	465

For full details of settlement prices call Louisa Powell at LIFFE on 01-623 0444. LIFFE, Royal Exchange, London EC3V 3PJ.

MONEY MARKETS

Bank of England urges caution

Last week's improvement in the pound has probably caused a little embarrassment at the Bank of England. While the CBI calls for a reduction in interest rates and some relief for exporters through a weaker pound, the authorities are keenly aware of and no doubt constricted by other factors which could come to the fore through a concession to CBI wishes.

At the base of it all there seems to be a strong desire to avoid the trauma of earlier this year when rates were jacked up to control sterling's sharp decline to record lows. That this has been a success is without doubt but unfortunately the plan, if there is one, could hardly have been expected to take on board the dollar's recent depreciation. Suddenly sterling is flavour of the month and any corrective measures may ultimately carry the risk of reversing a surge of hot money and create problems for sterling when the fundamentals have not really changed.

The effect of sterling's strength has been to reduce rates at the longer end while short-term money shortages continue to hold up rates at the shorter end. Banks will obviously be aware of the necessity of reducing these rates before entertaining a cut in their base rates.

Against this background the Bank has endeavoured to tread lightly, conceding if not engineering a half point cut in base rates and at the same time applying the handbrake to slow down the market's desire for further cuts. This has so far proved to be a qualified success and by accommodating with reluctance the desires of discount houses not to part outright with potentially lucrative paper and by keeping short term rates high, the Bank has acted in a manner designed explicitly to foster caution.

UK clearing banks base-lending rate 12 per cent since July 11-16

MONEY RATES

July 19	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	3.1-8.8	2⅛	1⅛-1⅝	6⅛-6¾	6.15626	14⅛-14⅞	10.00	—
One month	5.0-5.3	9¾-9⅞	4⅞-8⅞	6⅛-6⅜	6.34375	13⅝-14	8⅝-8¾	—
Two months	5.23-5.35	9¾-9⅞	—	—	—	—	—	—
Three months	5.25-5.40	9¾-9⅞	5-6⅛	6¼-6⅜	6.34375	14¼-14⅝	8⅞-8⅞	—
Six months	5.25-5.40	9⅞-10	—	6⅛-6¼	—	—	8.04	—
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	9⅝	—	6⅝	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 18 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	8-13	19⅛	11⅛-13	0-19¾	—	—	—	—	—
2 days notice	—	—	12½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅜-18¾	12½	18⅝-19⅞	19¼	—	—	—	—	—
One month	18⅞-12⅞	18⅞-18⅞	12¼	12½	12	11⅞	11⅞	11⅞	11⅞	19⅞
Two months	11⅞-11⅞	11⅞-12⅛	12	12⅛	11⅛	11⅞	11⅞	11⅝	11⅞	12⅛
Three months	11⅝-11⅞	11¾-11⅞	11⅞	12	11⅛	11⅝	11¼	11⅝	11¼	10
Six months	11¼-11⅛	11½-11⅞	11⅝	—	—	—	—	10¾	10⅞	11⅝
Nine months	11⅞-11⅞	11⅝-11⅞	—	—	—	—	—	—	—	—
One year	11⅛-11	11⅞-11⅜	11¼	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12½-12¼	—	12¼	7.8-7.9	7¾-8	9-9¼
Two months	12⅛-11⅞	—	12	7.8-7.9	7⅞-7⅞	9-9¼
Three months	11⅞-11⅝	—	11⅞	7.83-7.95	7¾-8	9-9¼
Six months	11½-11¼	—	11⅝	8.1-8.2	7⅞-8⅛	9-9¼
Nine months	11¼-11	—	11½	8.25-8.35	—	—
One year	11¼-11	—	11⅝	8.4-8.5	8⅛-8⅛	9-9¼
Two years	—	11⅞	—	—	—	—
Three years	—	11⅞	—	—	—	—
Four years	—	11⅛	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Finance IV: Average Rate of Interest period June 5 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses' Association): 13 per cent from July 1 1985. London and Scottish Clearing Bank Rate for lending 13 per cent. Bank Deposit Rates for sums at seven days' notice 9.25-9.625 per cent (net). Treasury Bills: Average tender rate of discount 11.1325 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12 per cent; one-three months 11¾ per cent; three-six months 11½ per cent; six-nine months 11¼ per cent; nine-12 months 11¼ per cent. Under £100,000 10¾ per cent from July 19. Deposits held under Series 5 11¾ per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 18)

2 months U.S. dollars	
bid 8	offer 8 1/8

6 months U.S. dollars	
bid 8 3/16	offer 8 5/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	9½
Broker loan rate	8½-8¾
Fed funds	7⅞
Fed funds at intervention	8
Treasury Bills	
One month	6.85
Two month	6.85
Three month	7.15
Six month	7.26
One year	7.36
Treasury Bonds	
Two year	99½
Three year	102
Four year	100⅞
Five year	100¹⁷⁄₃₂
Seven year	101
10 year	105⅞
30 year	106¹¹⁄₃₂

SECTION III

FINANCIAL TIMES SURVEY

Bahrain

The Gulf recession is hurting Bahrain. The last year has been free of serious political incidents but unemployment is emerging as a problem. Bahrainis regard this as more important than sectarian issues,

The Prime Minister, Sheikh Khalifa, presses the button which slides the last box girder (left) into place in the causeway linking Saudi Arabia and Bahrain

Worries surface as recession bites

By MICHAEL FIELD

"BAHRAIN MAY be on the verge of serious economic problems that will turn into social problems," said a member of the island's expatriate community recently. The speaker was a man who had spent a number of years in Bahrain and knew the society well.

"You find a sense of foreboding," he continued. "And sometimes it is difficult to see how Bahrain is going to get through — though one assumes it will always have Saudi support."

In the last 12 months, as the recession caused by the oil glut has taken hold of the Gulf, Bahrainis have become much more worried about their future.

The Bahraini economy is not like those of its big oil exporting neighbours, where the recession has shown itself in a big drop in oil revenues and a huge cut in the award of Government contracts, but little prospect of real hardship for the citizens.

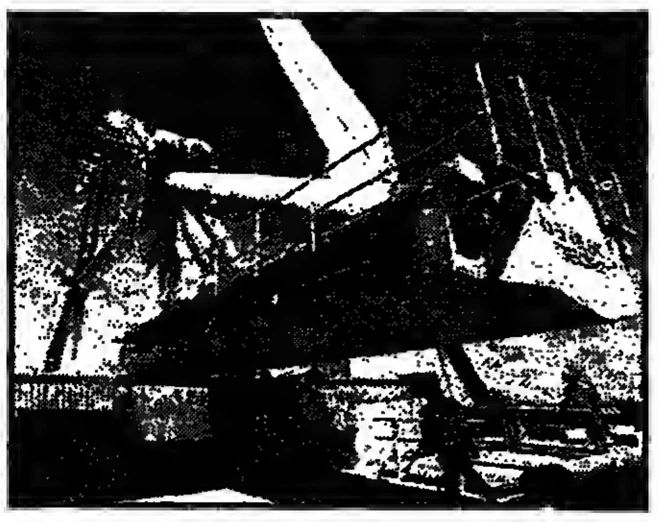
Rather as a service economy bolstered by oil exports which are not big enough to fluctuate much in response to the level of demand, Bahrain is experiencing a moderate decline in activity across the board, more as industrialised countries do in recession. This may not sound very alarming but it brings with it the prospects of a fall in personal incomes, dashed expectations and unemployment, which in a relatively poor Gulf economy are serious.

Ironically these problems have come at a time when in a purely political sense the island is more relaxed than it has been for most of the time since the Iranian revolution of February 1979.

What "incidents" there have been are regarded as being rather minor. Recently there have been some arrests in the security services, linked to a reported discovery of arms at the Iraqi embassy, though neither the arrests nor the presence of arms have been confirmed by the Bahraini authorities. They are not thought to be associated with any serious challenge to the regime, but are simply a reflection of the violent state of the Middle East and the chronically conspiratorial nature of Arab politics.

A cache of arms that was found in a village last year was believed to have been a relic of the plot of December 1981, when a group of Bahraini Shias, with the backing of Iran, was discovered to be planning a coup d'état. The Shias, who make up some 70 per cent of the Bahraini population, are members of the schismatic and mystical sect of Islam which is associated with the poor and downtrodden.

Last year the Government closed the Islamic Enlightenment Society, a Shia self help organisation, which ran schools, taught advanced courses and played an important role in the life of the majority community.



It has been suggested that the Government might have been wiser to have left the society in being and had Shia activities more in the open, but in any event the closure does not seem to have had specific disruptive consequences.

It is thought that the extemist element among the Shias, which would favour the introduction of an Islamic republic in Bahrain, may amount to anything between 10 and 40 per cent of that community. There must be more who would broadly support a redistribution of wealth and an improvement in the Shia social status.

Despite this there seems to be less consciousness of the division between the Sunni and Shia communities than there was in the early days of the revolution in Iran, which has a predominantly Shia population.

Although in the past there have been many incidents of Sunni-Shia violence in Bahrain, the problem is more episodic than chronic. The leading families of the two communities enjoy good relations with each other.

Tensions between the two communities have also been lessened recently by Bahrain's more relaxed view of Iran. Nobody trusts the revolutionary regime in Tehran but it is felt that there is much less chance of the revolution being exported than there was in its early years.

Certainly there has been less fear of the Gulf war affecting Bahrain since Iranian and Iraqi attacks on oil tankers began last summer and proved not to be the disaster for the region that had been feared.

All of these issues of sectarian divisions, conspiracies and external violence are much less to the forefront of people's minds than the state of the economy.

The downturn is showing itself in a reduction in Government spending, the closure of some of the offshore banks and a fall in the expatriate population. Most businesses are suffering from declining turnovers and much reduced profits.

For the middle classes the pain of recession has been made more acute by their resentment of the business dealings of Sheikh Khalifa bin Sulman, the Prime Minister, and a few other members of the ruling Khalifa family, notably his younger brother, Sheikh Mohammad.

It is admitted that by the standards of the business dealings of ruling families elsewhere in the Arabian Peninsula, Sheikh Khalifa's activities are minor. In a Bahraini context, however, they are unusual and they attract attention.

For the Bahraini population as a whole — including the business community when it takes a broad view of the future — there is the worry of what might be the social consequences of unemployment.

Bahraini nationals make up a much bigger proportion of the total population of the island than do other Arabian nationals in their own states. In Bahrain there is a genuine working class of nationals, which there is not anywhere else in the Gulf. The Bahraini population, particularly the Shia element, is growing fast.

There are already signs that unemployment is increasing. There are isolated cases of graduate unemployment, which could be very destabilising if it increases, and there is also unemployment among school leavers.

These people tend to write to the newspapers in groups, signing themselves, for example, "eight school leavers from Hidd," and saying that despite their efforts they have been unable to find jobs.

Unemployment benefit does not exist in Bahrain or other Arab countries. In societies which are still based on the extended family the benefit is thought to be unnecessary and liable to discourage work.

Many of those who do not face unemployment are having to reconcile themselves to reduced expectations.

In the past 15 years of rapidly rising prosperity a large number of Bahrainis — predominantly Shias — from relatively poor families have joined banks or industrial companies at a young age and worked their way up into technical or middle management jobs.

They have become members of the middle classes, but their children and younger brothers and members of other poor families are going to find it difficult to copy their progress.

"These social problems are much more important than sectarian things," is the judgment of a prominent Bahraini. "It is poverty and hunger that drives people to revolution. I remember that a taxi driver said to me once 'whenever I'm out of a job I go on to the streets,' and I think that is a representative view."

Nobody in Bahrain is suggesting that the island faces any immediate prospect of political upheaval. But it is noticeable that people who a year or so ago were loyal, prosperous and conservative, albeit liable to complain about Government policies in the universal way, are still basically loyal but are more disturbed and resentful.

This must make Bahrain more vulnerable to external subversion and the effects of unemployment.

What makes it more likely than not that the island will pull through the difficult period ahead is that it enjoys a form of national consensus.

Bahrainis realise that they are not as well endowed with oil as their neighbours and that they therefore have to work harder if they are to prosper. They live under what has always been a religiously and socially tolerant ruling family and this, combined with the long British influence, has given society a pragmatic, moderate and very decent approach to solving its problems.

Above all even the most dissatisfied Bahrainis realise that for all its shortcomings the regime under which they live is much pleasanter than any likely alternative.

Contents

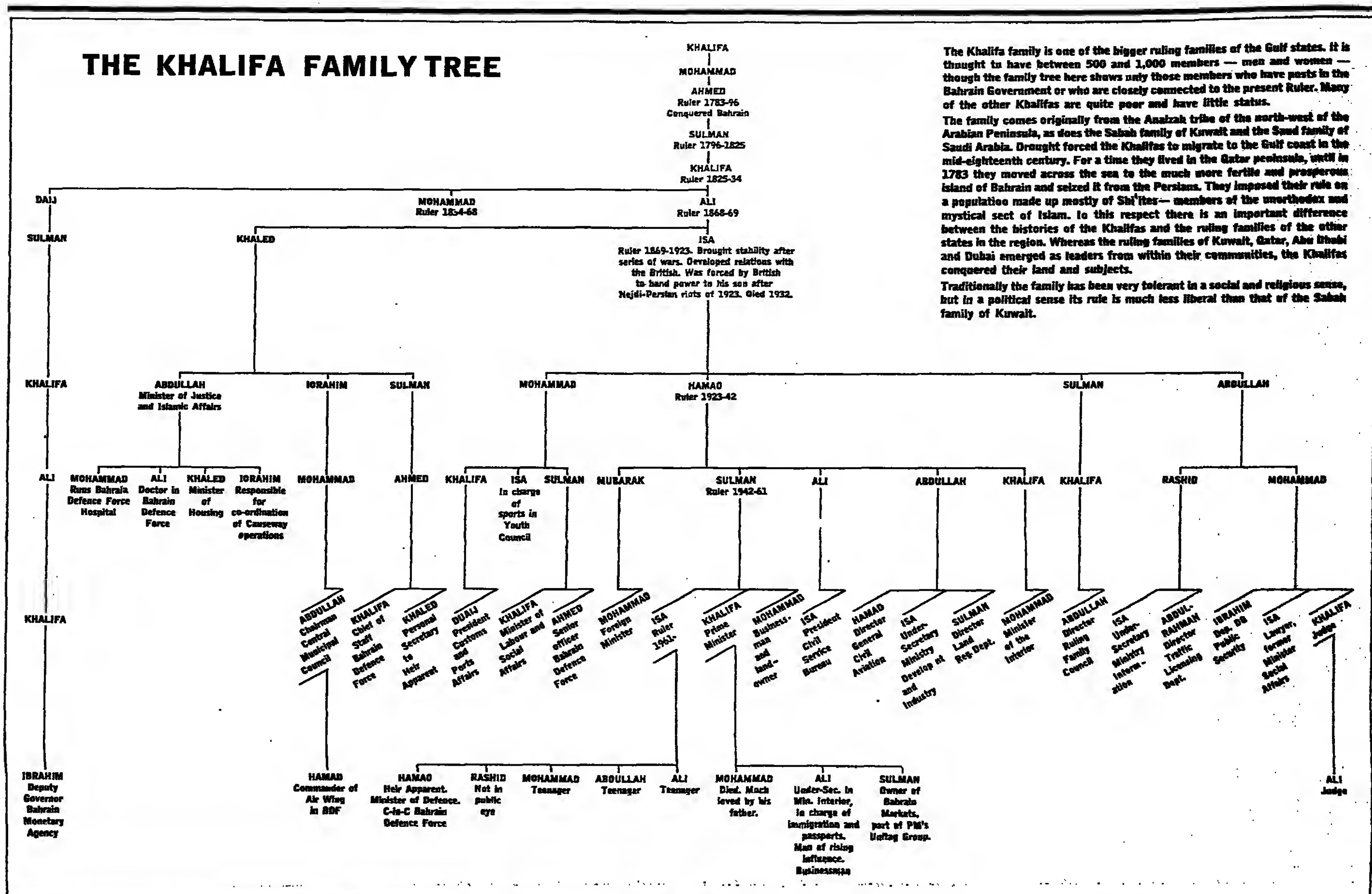
BAHRAIN 2

THE KHALIFA FAMILY TREE

The Khalifa family is one of the bigger ruling families of the Gulf states. It is thought to have between 500 and 1,000 members — men and women — though the family tree here shows only those members who have posts in the Bahrain Government or who are closely connected to the present Ruler. Many of the other Khalifas are quite poor and have little status.

The family comes originally from the Anaizah tribe of the north-west of the Arabian Peninsula, as does the Sabah family of Kuwait and the Saud family of Saudi Arabia. Drought forced the Khalifas to migrate to the Gulf coast in the mid-eighteenth century. For a time they lived in the Qatar peninsula, until in 1783 they moved across the sea to the much more fertile and prosperous island of Bahrain and seized it from the Persians. They imposed their rule on a population made up mostly of Shi'ites — members of the unorthodox and mystical sect of Islam. In this respect there is an important difference between the histories of the Khalifas and the ruling families of the other states in the region. Whereas the ruling families of Kuwait, Qatar, Abu Dhabi and Dubai emerged as leaders from within their communities, the Khalifas conquered their land and subjects.

Traditionally the family has been very tolerant in a social and religious sense, but in a political sense its rule is much less liberal than that of the Sabah family of Kuwait.



PROFILE: SHEIKH KHALIFA BIN SULMAN AL KHALIFA

Lonely man at the helm

"Sheikh Khalifa is a tough, complex man," a Westerner who had got to know him well once remarked. "His brother (Sheikh Isa, the Ruler) has a black and white view of the world. He speaks in very short sentences and produces simple ideas — though he has sound instincts. Khalifa on the other hand sees many sides to every question and sometimes he is rather difficult to follow."

Bahrain is unique among the Arabian Peninsula oil states in that the effective power in the country is not the Ruler, who has a position which is slightly like that of a constitutional monarch, but the Ruler's brother, Sheikh Khalifa.

All the problems that face Bahrain are Khalifa's responsibility. It is he who has to take the difficult decisions and it is to him that people go when they want the Government to act on some issue. He is not popular, but he is feared and respected.

> 'It is he who has to take the difficult decisions'

When people go to his majlis (council chamber) with requests or complaints they say what they want to say to Khalifa quietly when their turn comes. There is none of the noisy general debate or outspoken direct criticism that one finds in the majlis of Sheikh Saad al Abdullah, the Kuwaiti Prime Minister, for example. When they are not being spoken to, Sheikh Khalifa's visitors sit in silence.

The Ruler, Sheikh Isa, in contrast, has a rather pleasant job. When people have been offended by Khalifa's decisions it is Isa—who is a smiling figure with immense charm—who smooths things over. Isa is extremely popular; he is generous and accessible. Although he has handed the day-to-day administration of his state to his brother, it is known that ultimately, on the biggest issues, it is to him that the ruling family looks for judgment and on these matters his people trust him.

What makes the Prime Minister a controversial person is not so much the difficult role he plays in Government—which people appreciate is bound to be less popular than his brother's—but his business dealings, conducted mainly through the Unitag Group. Much of this operation is registered in the names of his sons, Ali and Sulman, and it is run by a Palestinian manager, Jamil Wafa.

Trevor Humphries

It has interests in contracting, trading, insurance, travel and the Intercontinental Hotel. Sheikh Khalifa has other real estate interests, including a large share in the Hilton, outside the group.

Unitag has never been popular among the Bahraini merchant community, but in the present climate of recession it has become particularly controversial. It is said that the group is continuing to expand while everyone else is taking a cut in profits. The company is accused of poaching agencies and contracts.

Summing up people's attitude to Sheikh Khalifa's activities recently a young intelligent Bahraini said: "People have more time today. They used to be busy wheeling and dealing now they are sitting in their offices drinking tea and thinking about the things that annoy them. The Ruler is so popular but the others at the top of the family are greedy.

> 'He is not popular but is feared and respected'

"It's a shame because Sheikh Khalifa just doesn't notice or realise how it is antagonising people. He's still expanding his business . . . he doesn't realise that he has to take a big cut in income like everyone else."

The big question in the minds of Bahrainis and foreigners alike is what motivates Khalifa in his business.

One suggestion is that he is accumulating wealth for the benefit of his sons in the jockeying for power which there is bound to be, to some extent, when authority passes from the present generation to the next. Given that the Ruler and Prime Minister are now in their early 50s this may be in about 15 years' time.

Another possibility is that Khalifa feels at a disadvantage compared with the other Gulf rulers, who are all vastly richer than he is.

It is also thought that he believes that the ruling family should pay its way in a relatively poor state, rather than being a burden on the Treasury. He tries to stop some of his more extravagant relations squandering money.

His eldest son, Mohammad, who is said to have been exceptionally able but died of heart disease some ten years ago, was a proponent of these ideas. Khalifa adored Mohammad and it may be that he sees himself now as fulfilling his son's wishes.

Certainly Khalifa does not think of himself as an avaricious man. He believes that his profits and commissions have been lower than those of others and regards some of his early ventures as having made losses.

He has a great sense of being wronged. He is hurt by the fact that all the unpopular things are blamed on him while his brother is so popular and he knows that when the Ruler dies and Sheikh Hamad bin Isa succeeds he will be replaced.

Michael Field

The effects of the oil glut are feeding through to other sectors

Spending to be cut in budgetary squeeze

Economy

MICHAEL FIELD

AFTER THREE years in which government and business havo been worrying about what would be the effect of the oil glut, the Bahraini economy has now properly entered a recession. The mood in the country is pessimistic but so far the downturn has not had any drastic results.

Three of the 77 offshore banks have left. The closure of some of these banks, which are the core of the service economy Bahrain has developed in the last ten years, had been a subject of nervous speculation for a long time. But in the event their departure was accepted as one of the normal features of a recession.

Several bank representative offices have closed. More seriously some of the offshore banks have shut parts of their operations and/or fired staff.

The expatriate population, which six months ago was estimated to number abont 100,000 in a total population of some 380,000, has fallen by 15 per cent so far this year. This is putting pressure on the margins of importers and on rents, which for good-quality property have fallen by 50 or 60 per cent in the past two years.

Much of the new residential and office property in the "diplomatic area," a large piece of reclaimed land next to the Manama-Muharraq causeway, is proving impossible to let. It is said that many of the owners of buildings in this area will soon find it difficult to repay their bank loans.

What there have not been in Bahrain are the bankruptcies or debt rescheduling of contractors that have occurred in Saudi Arabia, or the banking problems of the United Arab Emlrates. Nor are banks having difficulties, as they are in Saudi Arabia and the UAE, in obtaining repayment of loans they have made to contractors. In those two countries there are no modern laws on loan security.

In Bahrain one contracting-cum-industrial company — the United Building Factories—has had to be rescued by the Government, though it bas recently been resold to private business. The Arab Aslan Bank is undergoing a distressed takeover. And a large number of offshore companies are still in great difficulties as a result of their dealings in Kuwait on the Souk al Manakh, tha unofficial stock exchange, which crashed in 1982. *None of these corporate* problems is regarded as very serious for tha economy.

Bahraini government revenues are stagnant, but because the country is not dependent on larga oil exports which are prone to fluctuate with the state of the market, they have not declined significantly. According to the revised budget estimates for this year they will be BD 550m, which is only marginally below the peak revenues of BD 556m received in 1982.

The Government has been able to increase its non-oil income, and last year it was able to arrest the decline in production of its own tiny oil field — it hopes for the field produces 40,000 barrels a day, about a third of the state's total oil revennes; the balance comes from Sandi Arabia.

The problem for the Government, and the reason for the present budgetary sqneeze, is that spending has steadily been rising, particularly in the recurrent part of the budget.

In the downwards revision of the 1985 budget — in Bahrain calendar years end fiscal years are the same — the Government is keeping capital expenditure at the original level but is trimming current spending by between 5 and 10 per cent. The revisions have not yet been published — they have only recently been agreed — but in general terms it has been made known how tha Government intends to achieva its aims.

Lower rents

It is asking ministries to negotiate lower rents, it is reducing the numbers of direct telephone lines in government offices and it is eliminating unfilled new positions in the civil service. It is also cutting the amount of overtime people will be allowed to do in government offices.

Given that Bahraini budgets are normally marginally underspent and that the Bahraini bureaucracy, like the bureaucracies in all the Arabian oil states, is unusually wasteful, these seemingly trivial economies are expected to achieve the desired saving this year.

In the next two years, when it is intended that there will again be 5 per cent cuts in recurrent spending, it is realised that the process will be much more painful. Ministries are being asked to decide themselves what economies they wish to make.

In general it remains the Government's policy to continue balancing its budgets. To raise more revenues it may privatise some state corporations — the Governmant has holdings in Gulf Air, several heavy industries, hotels and even cinemas. Tha problem with this idea is that tha share market is very depressed at present.

It has thought of levying personal or corporata taxes, an idea which all the peoples of the area regard as dangerously socialist and thoroughly un-Arabian. In this case the specific difficulties are that there is not a very big tax base, the percentage would have to be so low that it might not justify tha cost of collection, and it might cause businesses to move to other states in the region.

It would be more logical for the Government to reduce the subsidies it gives to its population. Like other Arabian governments, the Bahraini authorities charge consumers only about 10 per cent of the cost of the water and electricity they provide.

At present the euthorities are in tha process of installing water meters in houses, as part of the new policy of charging e higher rate for consumption above a certain level, but their action is unpopular.

Bahrainis, like other Arabians, are extravagant consumers of both water and electricity, but they regard these utilities as free—or a gift from their ruler—and people are writing to the newspapers to complain about having to pay more.

In the present lean economic conditions it is not felt that it will be politically possible for the Government to save much of the considerable sum of money it puts into these subsidies.

Given that it is not the Government's practice to borrow money—it has only once borrowed commercially abroad, and that was for a specific project—it seems that the present policy of trimming administrative expenditure is the most realistic one.

* * *

The issue in the back of the Government's mind at all times —and tha reason for the insistence on maintaining capital expenditure — is the growing size of the Bahraini workforce and the prospect of unemployment.

The population of Bahraini nationals at present is about 280,000 and the Bahraini workforce is about 70,000. As in other states in the area, half of the population is under 19 and 4,000 schoolleavers, equivalent to nearly 6 per cent of the existing pool of labour, are coming onto the job market every year.

Between now and the end of the century the Government expects the Bahraini labour force to increase by nearly 100,000.

Officials talk of several solutions to this extremely daunting problem. First it is hoped that young Bahrainis will go to find employment in neighbouring states, where the bulk of the *workforces at present are made* up of expatriates. It is suggested that they might take industrial jobs in the Saudi Eastern Province, though they do not like going to Saudi Arabia, and banking jobs in the United Arab Emirates. The Saudi - Bahrain causeway may open tha Saudi market to them.

Second, the Government intends to invest in high technology and high added value industries and services geared to the Gulf market as a whole. It recently signed an agreement for the development of an instrumentation and electronic control systems industry-cum-installation and maintenance business. The creation of jobs in this type of business is particularly effective in leading to the creation of less skilled secondary jobs.

Somewbat piously it is hoped that the private sector will play a role in investing in industrial development—just as it is hoped it will do in Saudi Arabia.

Third and lastly, government officials point to the expatriate labour force—80,000 out of a total expatriate population of about 100,000 at the beginning of this year—and suggest that most of it can be replaced by Bahrainis.

In practice this will be much more difficult than it sounds. At the top end of the spectrum there are managerial and highly technical jobs for which Bahrainis generally do not have the skills, though there are many very impressive exceptions to this. At the other end there are rough labouring jobs which Bahrainis simply will not do.

Where there seems to be most scope for Bahrainisation is in the middle—in the ranks of clerks and moderately skilled technical labour. Already there are predominantly Bahraini labour forces in the oil and aluminium Industries, which bave run good training programmes.

The problem with the middle of the labour market is thot many of the jobs are in the private sector. Wbereas the Government and big state organisations manage to employ almost entirely Bahrainis and foreign companies, such as banks, employ about 60 per cent Bahrainis, the Bahraini private sector employs only 20 per cent Behrainis.

Clerical jobs in private business have become "typed" as Indian jobs and they do not appeal to Bahrainis. Furthermore private businessmen, who are a powerful force in Bahraini society and cao ignore the Minlstry of Labour, prefer to employ Indians. They are already trained, they speak Englisb (of a special sort) and they can be worked harder.

The Government hopes that if it can give the private sector the incentive, in the form of a pool of well-trained middle echelon labour, it will decide that the advantages of Indians are outweighed by the cost of having to provide them with housing and air tickets.

To produce this type of labour and tha skilled labour that will be needed by the hoped-for new generation of Industries, the Government is trying to reform the Bahraini educational system. It wants to have people at the undergraduate level pursue their education in Bahrain rather than in the West and it intends to develop polytechnics to make this possible.

The emphasis is to be on an educational system moulded to the country's economic requirements. But whether this and the Government's other job creating policies will be enough to absorb the flood of Bahrainis coming onto the job market is an open question.

Revenue and expenditure

(BD m)

	1982	1983	1984	*1985	†1985
Total revenue	556.1	484.8	548.8	575.0	549.6
(a) Oil revenue	401.9	328.6	355.4	361.4	n.a.
(b) Non-oil revenue	154.2	156.2	193.4	213.6	n.a.
Total expenditure	472.6	535.4	538.6	575.0	549.6
(a) Recurrent	298.3	309.9	325.0	364.5	339.1
(b) Capital	174.3	222.0	210.0	210.5	210.5
(c) Others (inclnding University College expenditure)...	—	3.5	3.6	n.a.	n.a.

* Original estimates. † Revised estimates.

GDP/GNP

(BD m)

	1981	1982	1983	†1984
GDP (current prices)	1,615.3	1,746.0	1,822.1	1,895.0
GNP (current prices)	1,330.1	1,398.1	1,488.8	1,548.4

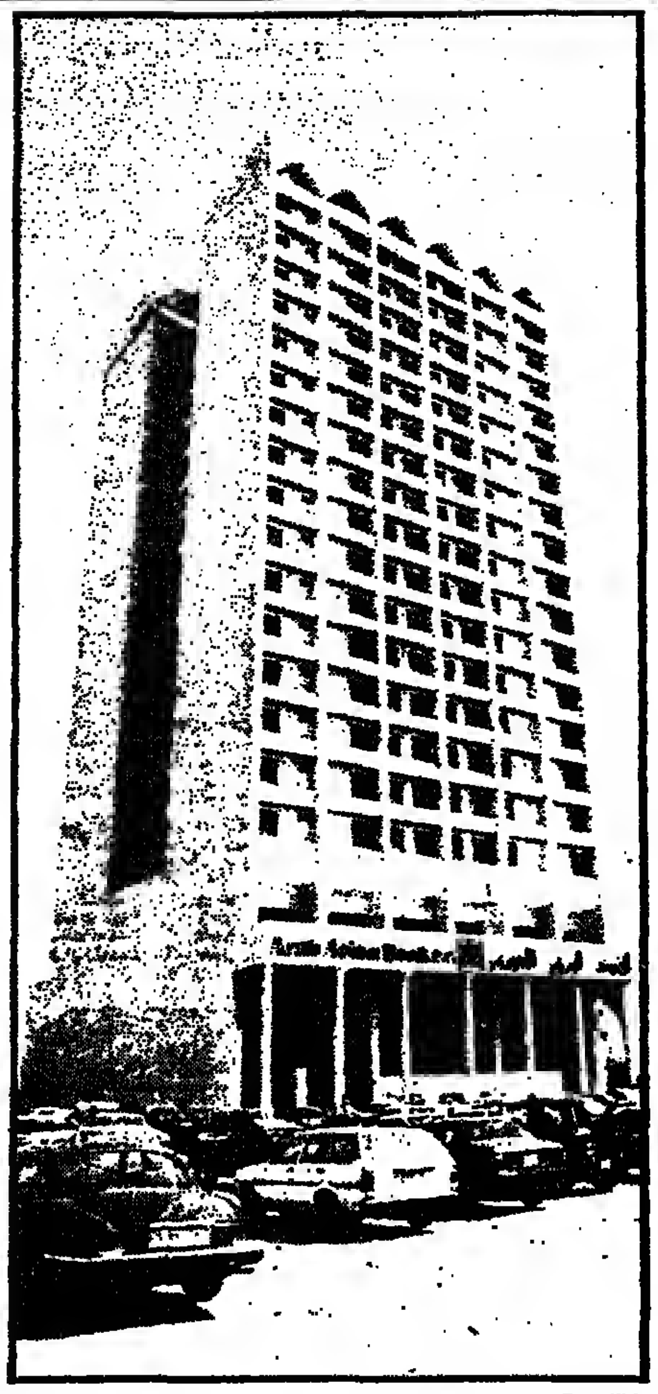
† Estimate.

Source: Ministry of Finance.

Balance of payments estimates

(BD m)

	1981	1982	1983	1984
A. Trade balance	+ 83.6	+ 65.9	− 53.8	−146.0
B. Services, transfers, capital (net)	+220.4	− 1.1	+100.2	+106.9
C. Overall balance (A+B)	+304.0	+ 64.8	+ 46.4	− 39.1



Terry Kirk

The Dlplomat Tower (above) owned by Sheikh Mohammad bin Khalifa Al Khalifa, the Minister of the Interior, is best known as the Arab Asian Bank building. The bank arranged 100 per cent loan finance for its construction, but although its name is writ large it occupies only a couple of floors. Earlier this year, Arab Asian became technically insolvent and was bought for $1 by Middle East Finance Group, a minority shareholder. MEFG is owned by the Bin Mahfouz and Al Kaaki families of Saudi Arabia, who also control National Commercial Bank.

The former chairman of Arab Asian, Hussain Najadi, is held in gaol. He has been refused bail. No formal charges have yet been laid.

He is the one who stands to lose most from the affair, since be was the biggest single shareholder, after buying out Sheikh Fawaz bin Mohammad Al Khalifa, the Interior Minister's son.

Gloomy outlook for oil-based projects

Still in the miserable Eighties

Industry

MARY FRINGS

"If I were a man of guts and had the money, I would build it tomorrow. But who is going to take me seriously in the summer of 1985?"

THE SPEAKER is Mr Yousuf Shirawi, Minister of Development and Industry. The topic is a heavy oil conversion project which has been on the shelf for the past two years. His faith in the proposed joint venture with Kuwait and Saudi Arabia is based on forecast world demand for oil products in the 1990s—and he believes a 30,000 barrels a day hydrocracker will eventually be built in Bahrain, "once wa get rid of the miserable eighties."

Without it, Bapco's ageing 250,000 b/d refinery may be less able to meet the challenge of new and expanding regional refineries backed by their own crude.

Bahrain's crude production is only 40,000 b/d, although the 100 per cent state-owned producing company, Banoco, is embarking on a five-year development drilling programme and has succeeded over the past three years in arresting the historical 5 per cent annual decline.

In the offshore concession area leased to KUFPEC (Kuwait Foreign Petroleum Exploration Company) exploratory drilling will start in October but hopes of a major new find are not high.

In this situation, the shareholders in Bapco (Government 60 per cent, Caltex 40 per cent) purchase feedstock either from Saudi Arabia at official prices, or on the spot market. The average (official) price of crude FOB is $27.75 a barrel, while the mean products price was recently $26.35—from which must be deducted the cost of refining.

Inevitably, refining costs per barrel go up as throughput drops, and the refinery has been running well below capacity since 1982. In the first half of this year the average crude run was nearly 30,000 b/d down on last year's 198,000 b/d.

Bright spot

There is more than a possibility that the operation would have been shut down, but for majority government ownership and the consequences of putting 3,000 Bahrainis out of work. As it is, manpower has been reduced from a 1982 peak of 4,450 to under 3,600, although in the case of Bahrainis this has been achieved by natural attrition.

The only bright spot on the oil scene is the five-year-old Banagas liquefaction plant, where contribution to state revenue during 1984 amounted to $57m in the form of taxation, dividends and newly-introduced feedstock charges. The process is based nn oil-associated gas and the output of more than 3m barrels a year of propane, butane and naphtha is purchased by Caltex, one of two 12½ per cent shareholders.

For the Arab Iron and Steel Company (AISCO), the "miserable eighties" brought a Gulf war which closed 2m tonnes per year of steel-making capacity in Iran and Iraq, and snetched away 50 per cent of its natural market even before the $310m pelletiser went into production.

The first ship bringing iron ore from Kudremuth in India embarrassingly went aground, and although the 4m tpy pelletiser was Inaugurated on schedule, on December 12 last year, there bas been litigation over letters of intent for a marine works sub-contract and differences with the main contractor, Kobe Steel, which led to encashment of the performance bond.

That problem was resolved amicably and the guarantee test was completed on May 5, but the plant then closed for eight weeks with its stockyards full of unsold pellets.

When it reopened on July 6, it bad the firm prospect of only five weeks work, with small orders from Germany, Portugal and Turkey and a second 20,000 tonne shipment for Hadeed in Saudi Arabia.

Hadeed has promised to take another 60,000 tonnes before the end of the year, although the Saudis are believed to have advised against the plan to build a regional pelletiser in the first place and neither they nor the Bahrain Government have a direct investment in it.

In the short-term, AISCO's survival hangs on the willingness of its mainly Kuwaiti and pan-Arab shareholders to support it, pending an improvement in the world steel market and the end of the Gulf war.

Gulf Petrochemical Industries Company (GPIC), whose $450m ammonia and mathanol complex has just gone into pilot production, does not hava the same marketing problem; that has been passed on to Bahrain's joint venture partners, Saudi Basic Industries Company (SABIC) *and Petrochemical* Industries Company (PIC) of Kuwait.

There seem to be better prospects for downstream petrochemical development (into intermediate rather then finished products) than for establishing a direct reduction steel plant *in Bahrain to support* AISCO.

The shiprepairing industry continues in deep recession, as a result of the oil glut and the Gulf war. In the first half of this year the Opec-owned Arab Shipbuilding and Repair Yard (ASRY)—wbich may also be feeling the cold wind of competition from Dubai — handled only 1.4m dwt of shipping: 19 vessels in dry-dock and eight alongside.

It gained no new steel fabrication orders, which contributed e third of 1984's gross revenue of $16.6m, although ongoing work will continue until the end of 1986. The results are disappointing after ASRY had achieved a respectable 12 per cent share of the world vlcc repair market and almost reached breakeven point with average 1981-82 revenues of $30m. London-based Maynard Shipbuilding Consultants have now been called in to devise a strategy for the future.

The smaller yards are also suffering. *Although BASREC* stayed in the black, its operating profit of BD 370,000 ($980,000) was 50 per cent down on the previous year, and Bahrain Slipway made a loss. The company has terminated its 30-year-old management contract with Gray MacKenzie and plans to cut staff and diversify its activities.

The aluminium industry is in better shape, although the going is gatting harder. Production at the ALBA smelter in 1984 was a record 177,285 metric tonnes, and trials are going ebead on the first stage of a retrofit programme aimed at in*creasing output, by up to 15 per* cent, without consuming mora power.

BALCO, which markets the Saudi and Bahrain Governments' 78 per cent share of metal offtake, expects to struggle through this year with a modest profit, despite the drop in world prices, after earning nearly $40m in 1984.

Joint venture

June 30 marked delivery of the first 9 mt rolling sleb for testing by the joint venture Gulf Aluminium Rolling Mill, which is on schedule for com*mercial production* by November. GARMCO is already "pre-marketing," using other manufacturers' sheet products to establish customer relationships, and reports an encouraging response both regionally and internationally. With a 40,000 tpy rolling mill, and a 6,000 tpy foil plant dua for completion in 1988, GARMCO will be ALBA's most important local customer.

Among the smelter's existing satellites, the Government-owned extrusion company, Balexco, operated profitably last year, with production up from 4,400-4,800 mt and a 20 per cent increase in revenue.

But the privately-owned Midal Cables has been hit by the reduction in regional electrification programmes. A plan to produce its own alloy has been postponed, although the compeny is buying in metal to make alloy cable *and has diversified* into other wire and insulated products.

Metal throughput last year was down from 13,000 to 11,000 mt, but bas recovered in the first half of 1985 to between 6,000 to 7,000 mt. The bulk of tha product goes to Saudi Arabia.

Special niche in the market

INVESTMENT BANKING has become a buzz-word in the Bahrain market since the scope for profitable commercial and merchant banking has narrowed. But few of the Offsbore Banking Units (OBUs) now moving in this direction have put as much time and effort into planning their strategy and building e corporate identity as Arabian Investment Banking Corporation (Investcorp).

Unlike Trans-Arabian Investment Bank (TAIB), which recently edded a trade finance house in New York (Greditcorp International) to its finance and real estate subsidiaries in Geneva and Florida, Investcorp does not manage syndicated loans, arrange construction finance or issue guarantees and letters of credit.

It is purely a financial intermediary, and its special niche in the market is the acquisition, packaging and placement of real estate and direct international investments with a three to five year horizon.

"Quality" is a word Investcorp uses a lot, whether it is talking about investment opportunities, management or clients. No expense has been spared to ensure that quality oozes from the wood-panalled walls of its Bahrain beadquarters and the glossy pages of its corporate reports.

Investcorp

MARY FRINGS

The minimum subscription to Investcorp's latest investment offer is $100,000, because in the words of Nemir Kirdar, the Iraqi-born president and chief executive, "we don't want to be too retail."

On the same basis $500,000 is the smallest term deposit that its dealers will place on behalf of clients, although eight mutual funds will be launched shortly to accommodate investments in multiples of $50,000.

Its advisory and financial packaging services do not come cheap either, and Investcorp recently lost out to Gulf International Bank and Chase in bidding to carry out the valuation of Gulf Air, before privatisation.

The handful of deals which Investcorp has done over the past two and a half years add up to $350m, of which $300m has so far been sold. Each one has involved painstaking preparation in consultation with international investment bouses, tax advisers, appraisers and industry analysts, and exhaustive documentation.

Although Kirdar is clearly the motive force, last year's $11m profit (representing a 20.5 per cent return on average equity) was the result of a team effort. Every decision is a corporate decision, and every potential customer receives his private placement memorandum from one of the 12 executive managers personally.

The $135.5m leveraged buyout of Tiffany and Co., the New York jeweller, was closed last October. By last month, the building on Fifth Avenue had been sold to an undisclosed European buyer and leased back to Tiffany for 35 years; the entire $75m of senior debt and half ($10m) of the subordinated debt had been placed with General Electric Credit Corporation of the U.S.; and the 45 per cent of equity reserved for U.S. investors had been taken np.

Investcorp will retain up to 10 per cent of the equity for its own account and will market the remaining international placements in the fourth quarter of this year.

Meanwhile a subscription offer for a $36m equity interest in the luxury powerboat industry is already on the table, backed by an 84-page private placement memorandum with a payback projection (on a conservative case basis) of five and a half years. This follows last year's acquisition, in partnership with a Whittaker affiliate of Whittaker Corporation's Kettenburg Marine and Bertram, Trojan and Riva Yacht divisions.

Kirdar describes 1985 as "very busy. We have a lot of balls in the air." He says the fact that Investcorp has not offered international investors or its own 335 founding sharebolders around the Gulf anything in the Arab World is not for want of trying. "It has to make sense to us, within our criteria."

Another untapped area so far is the Islamic banking system, which is awash with funds for which the banks cannot find acceptable outlets, untainted by "riba" (usuary or interest). An additional problem is that Islamic banks want short-term liquid assets while Investcorp is more at home with medium-term products. But they are working on it.

Offshore investment companies in decline

THE BEST thing Bahrain could do with its Exempt Company (EC) regulations is to amend them, to permit the registration of shell holding companies, captive insurance companies and flags of convenience. There is no reason why Bahrain should not become the Luxembourg, Caymans or Panama of the Gulf.

This would substantially boost the $U.S.2m to 2.5m in offshore company fees which the Ministry of Commerce collects annually, and would give legal recognition to a situation which to a minor extent already exists.

The requirements to maintain a fully-staffed head office in Bahrain has proved to be unenforceable, both in the case of publicly-quoted investment and insurance companies controlled from Kuwait, and of some closed companies operating in Saudi Arabia. Others are dormant, as business has failed to materialise; or consist of one man working from bis bome.

In principle, however, the ministry dislikes the tax-haven label and is unwilling to abandon its prohibition of "brass-plate" companies, despite the urgent need to increase non-oil reevnues from every available source. Recent requests for new companies to be registered and operated through a local solicitor or auditor bave been turned down.

The EG regulations were introduced at the end of 1977, two years after the launch of the offshore banking concept, to enable trading and service companies with business in the region to be incorporated in Bahrain, provided they did not compete in the local market.

There are some grey areas in this respect, and the propensity of EC banks to put up buildings and seek to let surplus space has incensed local property-owners.

The "exemption" is from the provisions of the Commercial Companies Law, which require majority Bahraini ownership or in the case of foreign branches, local sponsorship. The attractions are freedom from taxation, proximity to the Saudi market, good communications and a relaxed lifestyle—against which must be set the high cost of living and the rigours of the Gulf summer.

By the end of last month a total of 182 ECs had been registered, of which 21 have gone into voluntary liquidation. Among these was Citicorp

Exempt companies

MARY FRINGS

International (Middle East), which was set up five years ago to exploit a regional bond market which never developed. Citicorp has now replaced it with a regional representative office for its investment bank.

The newcomers this year are **Al Khaleejia Insurance and Reinsurance Brokerage Company**, with 30 Gulf (mainly Saudi) shareholders in the paid-up capital of $£3m; **Gulf Development Corporation** (general contracting and trade); **Marubeni Bahrain** (marketing, advertising and management consultancy services); **Gulf International Insurance Bahrain** majority-owned by an Ajman (UAE) insurance company, with capital of BD 1.025m ($2.7m); **Petrencor**, which has the minimum capital of BD 20,000 and offers management and consulting services to the oil and manufacturing industries; **Schlumberger Gulf Services**, for the sale and hire of oil industry-related equipment; two new subsidiaries for **Gulf Consolidated Services and Industries (GCSI)**, and **Indeco**, an industrial and development consultancy owned by the BAII banking group.

Disaster

There are 10 more applications pending, including three new insurance companies to join the 20 already establisbed. But no applications are being considered for the establishment of more public sharebolding companies. Those already in existence are enough of a disaster story, although it is a Kuwaiti disaster rather than a Bahraini one (except for those unfortunate investors who bought shares in them).

The six companies listed are not the only ones who speculated in shares, but they incurred the heaviest losses following successive write-offs on post-dated cheques and value of investments.

Al Jazira, which has not yet publisbed its 1984 results, does have a contracting operation but it is hard to see it competing successfully for the dwindling number of new construction contracts now available. It recently completed a sub-contract on the pelletising plant built in Bahrain by the affiliated Arab Iron and Steel Company EC, and in 1983 it declared a $19m loss on its involvement with the Abu Ghraib irrigation project in Iraq.

The others have no business, although apart from Gulf Investment Company their remaining assets are substantially liquid. Pearl, for example, has 94 per cent of current assets in cash and bank deposits.

In all, there are 14 EC public sbareholding companies, if one includes Bahrain International Investment Centre, which is legally a closed company but bas so many shareholders its share prices are quoted—another infraction of the law wbicb seems to be winked at.

Among them only one, the Arabian Investment Banking Corporation (Investcorp), showed a healthy profit from operations. Bahrain International Bank (BIB) made just as much money ($11m), but this was earned principally by placing its $180m of paid-up capital on deposit, while Bahrain Middle East Bank (BMB) earned only $762,000 after provisions.

All the rest made losses, adding up to a staggering $265m. The losers included Bahrain International Investment Centre $27m, Gulf Union Insurance $3.7m, Arab International Insurance $2.6m, AISCO $7.2m, United Gulf Bank $5.4m and Gulf Consolidated Company for Services and Industries—GCSI—$32.3m.

The report on GCSI from auditors Ernst & Whinney carries no fewer than five qualifications, relating to the recoverability of a $29m investment in an Ajman oil concession, together with $7m in receivables; the use of $14m in company funds to repay a loan to a director in contravention of the Bahrain Company Law; and a reservation on the preparation of the financial statements on a "going concern" basis, pending the availability of adequate financial support.

Interestingly, the auditors also state that a charge of $33m in provisions directly against shareholders funds is "not in accordance with accepted accounting principles, which would charge this amount against income for the year," although they made no such comment on a similar move by a locally-incorporated OBU, Al Bahrain Arab African Bank (ALBAAB).

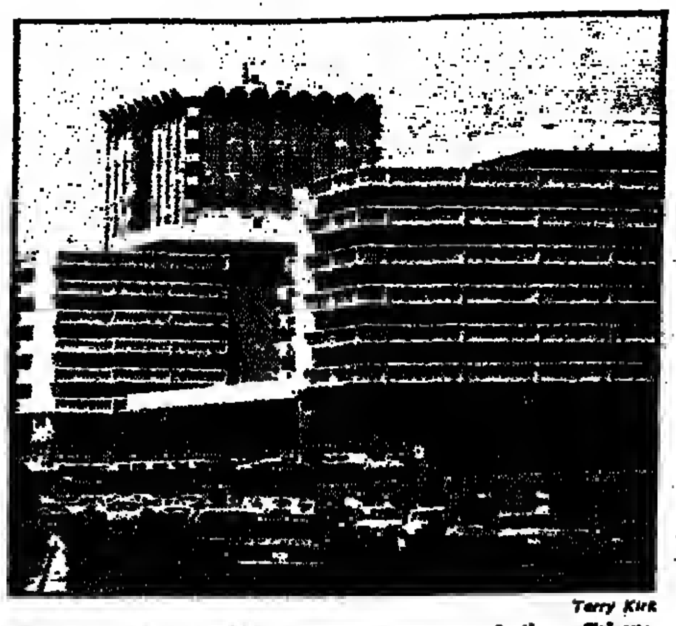
Althougb GCSI has a potentially rewarding contract from the Indian state of Uttar Pradesh, to manage e joint-venture fertiliser plant, the plant is not built yet and the company's best immediate prospect seems to lie in a merger with a partner in Ajman—or with a major oil strike there. The profitable disposal of a second-hand petrochemical plant in Puerto Rico seems questionable.

Record low

The share prices of all these companies are at a record low on the Bahrain stockmarket—as indeed are those of much more solid domestic companies. Trading is very thin and Bank of Bahrain & Kuwait (BBK) shares which once sold at BD 35-50 in forward deals have recently changed hands at between BD 2 and BD 2.600, although it should be noted that successive bonus issues have dilnted their value.

The establishment of a formal stock exchange in Bahrain, listing initially only domestic companies and ECs, has been under preparation for more than two years, and a report on its final stages was made to the Prime Minister last month.

If it gets the go-ahead now, it could be in operation as an independent corporation by the end of the year—but it remains to be seen whether it will restore investor confidence sufficiently to inject some life into secondary trading and promote the success of new issues.



Terry Kirk

Bahrain's capital, Manama, where many of the offshore investment companies have offices.

Offshore investment companies

Company	Profit (loss) (US$m) 1982	1983	1984	Net worth (US$m) 1982	1983	1984
Al-Jazira Contracting and Investment Company EG	2.3	(38.5)	n.a.	68	40	n.a.
Arab International Development Company EC	7.6	(10.0)	(8.96)	35	26	17
Pearl Investment Company EG	29.8	(23.8)	(44.9)	182	158	113
Gulf Investment Company EC	40.0	(56.9)	(69.3)	380	304	241
Gulf Consolidated Services & Industries Company EC	3.0	(31.6)	(32.3)	162	131	65
Bahraini Kuwaiti Investment Gronp EC	42.2	(30.7)	(63.8)	192	161	98

Compiled by Mary Fringe.

The sector is adjusting to a rapidly changing market

Tremors and shocks

Offshore Banking

MARY FRINGS

NO BANK has collapsed in Bahrain, or had its licence revoked. Not many financial centres around the world can say as much.

But the first-ever distress sale of a Bahrain offshore Banking Unit (OBU) when Arab Asian Bank was taken over in April by a minority shareholder, was a shock to the local banking community. Puzzlement followed, as the detention of its chief executive, Hussain Najadi, dragged into months without formal charges being laid.

Then came another shock, when United Gulf Bank, also an OBU, let select groups of bankers know that as it would be concentrating on investment activities in future, it planned to run down its loan portfolio, release up to half its 77 staff and put its still uncompleted building up for sale.

Coming on top of a general malaise over the prospects of the oil market, political turbulence in the Middle East, shrinking busines opportunities and the build-up of bad debt, these two events caused a number of bankers to question the viability of their own operation.

Departure

They may even have wondered, as they added Security Pacific to the departure list and Barclays joined Midland in closing its dealing room, whether Bahrain as a banking centre was going down the drain.

The governor of the Bahrain Monetary Agency (central bank), Mr Abdullah Saif, says banks have to obtain an economic return wherever they are based, and retrenchment is superimposed by the business environment. He is confident that Bahrain has a useful long-term role to play, both as a regional centre and as a link in a global operation.

He comments: "There is still a good basic operation here, but the market is *changing rapidly*. Successful bank management must be innovative in extending the range and quality of services, making use of new technology, and finding new vehicles to facilitate the flow of funds between lenders and borrowers. And we, as a supervisory authority, have to look at the prudential requirements."

The debt problem, he points out, is nothing new: two years ago the concern was over concentration of risk, now it is over quality. This calls for a joint review of provisioning policy by supervisors, auditors and management to ensure that banks build up adequate protection, even if that is achieved in some cases at the expense of *profits*.

The governor said the BMA had a legal responsibility towards depositors and shareholders of its dinar-based local banks and a moral obligation to ensure that all banks in Bahrain were prudently and professionally run. "In a crisis, the action taken would depend on the nature of the problem, but prevention is better than cure."

A new departure for the BMA is the assumption of a degree of responsibility for the soundness and liquidity of branches of foreign banks, since they are a major component of the offshore market. After further consultation with the Bahrain Bankers Society, branches will be required to submit regular prudential information returns from the end of the year. The returns include a list of the largest bank and non-bank exposures.

At the same time, the BMA wishes to be seen to be fully responsible for its own offspring abroad, with the help of the host authorities. Over the past two months, senior staff members have travelled to London, Switzerland, Hong Kong and Singapore to make courtesy calls on central banks and to visit branches, subsidiaries and affiliates of Bahrain-based banks to ensure the proper controls are in place.

At home, the BMA is agreeing individual lending limits with locally-incorporated banks, and the time scales for any necessary adjustments. This follows the formal introduction in January of legal limits *amounting* to 15 per cent of capital and reserves for loans to single borrowers and related entities, and 30 per cent to a bank's board of directors collectively.

Following applications from United Gulf Bank and Kuwait Asia Bank for permission to separate their banking and investment activities, consideration is being given to the creation of bank holding companies as a suitable structure for banks with a number of *subsidiaries*. This could result in a new type of licence. Another possibility is the establishment of unit trusts and mutual funds, to encourage the growth of a capital market.

Only a handful of banks, led by Arab Banking Corporation (ABC), Gulf International Bank (GIB) and the Arab Investment Company (TAIC) are active bond traders, and local new issues are few. Last year two revolving Euronote facilities were brought out for Saudi corporate borrowers, Algosaibi and Bin Laden, and ABC issued a 12-year U.S.$ 100m floating rate in its own name.

This year, there has been a U.S.$150m FRN which ABC co-led with Société Generale, and a HK$360m note led by Citicorp Hongkong, Bank of China and Sun Hung Kai International Limited, to fund ABC's 75 per cent acquisition of Sun Hung Kai Bank.

Doorstep

ABC's aggressive move on to the doorstep of China brings its tally of direct and indirect subsidiaries to 14, among which Banco Atlantico of Spain has 194 domestic branches, a New York agency, a Grand Cayman branch and eight representative offices in the western hemisphere.

On its own account, ABC has five branches, four rep offices and four affiliates. The whole empire has been built up in under five years.

At least two OBUs are following the same route, on a more *modest scale*. Mr Katch J. Katchadurian of the three-year-old Bahrain Middle East (BMB) has started his portfolio with 40 per cent of a small *Swiss bank* and with the help of Morgan Stanley is now finalising the purchase of a U.S. subsidiary, which will bring him expertise in futures, commodities and fiduciary services.

Kuwait Asia bank, which recently reduced its head office and foreign exchange activity, has investments in Hong Kong, Korea, the Philippines, Japan and New Zealand, and is opening a merchant bank in Melbourne.

If GIB seems timid in comparison, conservatism *is* part of its character as the "international bank of the seven Gulf states." Mr John Porter, an assistant general manager, comments that "our general low-risk, low-reward policy proves at this time to be very apt," and another banker who describes the market as being in "a storm-jib situation" *clearly* agrees.

GIB had a satisfactory first half, and expects to maintain its U.S.$7bn asset level with profits 5 per cent up at year-end. Although its syndications team was redeployed last year, GIB has still lead-managed 15 credits totalling U.S.$6bn in 1985, including a U.S.$1.5bn facility for the Kingdom of Sweden.

"A change of strategy" was responsible for the release of five people at GIB's New York branch. With a smile, Mr Porter explains: "We want it to be a real New York branch before it tries to take on the whole United States."

After the Arab banks, the U.S. banks carry the most weight in the OBU market. Apart from Security Pacific and Continental Illinois, the only departures have been those of one-man representative offices, although a number of OBUs have pared down their operations.

The British banks too are slimming down and holding on, in the hope of a new boom in three-five years' time. Barclays officially closed its dealing room on July 11 and will reduce manpower by a third.

Midland took similar steps earlier in the year, as part of its global rationalisation, but it is opening a new representative office for MBG International Trade Services. This will specialise in export finance and credit risk insurance, with guarantee support from Lloyd's of London where cheaper ECGD or similar backing is not available. Lloyds and NatWest continue dealing, and economising, although both have substantial corporate business in the region.

One concern is that if more banks scale down their dealing operations, six moneybrokers in the market could become too many. Brokerage earned in 1984 was slightly down on the previous year, at US$14.507m and well down on the US$16.366m earned in 1982, before an adjustment in agreed rates. New volume discounts on foreign exchange transactions were introduced in April this year, with considerably less acrimony than over the previous change (September 1983).

In the last analysis there are still 74 OBUs reporting to the BMA and assets have held up remarkably well around the U.S.$60bn level. The latest figure (for April) was U.S.$61.7bn. What gives the market its basic stability is the presence of ABC and GIB (who between them hold nearly one third of the assets), and banks such as Citibank with a long-standing commitment to the region.

This is not to say the assets may not fall. As the BMA Governor points out, the figures take no account of off-balance sheet trade financing and fee-earning business which more and more banks are trying to obtain, as a replacement for syndicated lending.

A gradual decline in assets—if it does occur—might therefore reflect successful diversification rather than impending disaster.

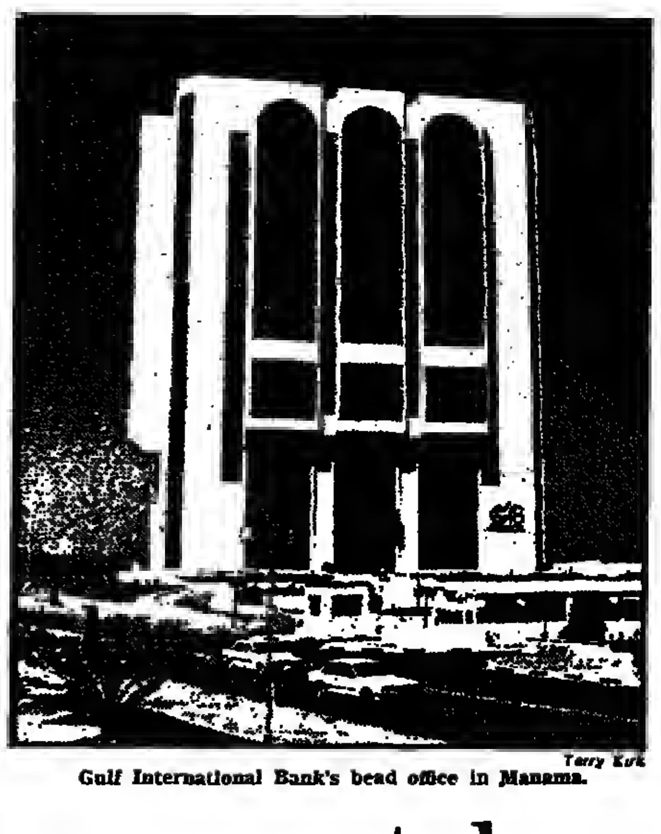
Locally-incorporated Bahrain OBUs

(Ranked by size of assets at December 31 1984 in U.S.$m)
(Does not include investment banks, or the OBUs of local commercial banks)

	Assets ex contra	Total equity	Net profit (loss)	Reported provisions
Arab Banking Corporation	11,055	1,114	110.0	45.0
Gulf International Bank	7,419	580	63.9	n.a.
ARLABANK International	1,853	245	20.0	11.1
ALBAAB	1,370	129*	15.8	†
Gulf Riyad Bank	1,186	61‡	5.1	3.5
United Gulf Bank	1,126	246	(5.4)	20.7
ALUBAF Arab Intntl Bank	613	55	3.2	2.0
Arab Asian Bank	(1983 assets $605m 1984 not available)			
Kuwait Asia Bank	574	121	5.3	2.8
BAII (M.E.)	475	25	2.7	n.a.
Bahrain M.E. Bank	446	157	0.7	3.0
European Arab Bank (M.E.)	377	15	0.3	n.a.
Bahrain International Bank	294	198	11.0	6.4
Massraf Faisal Al Islami	256	24	2.6	—
Frab-Bank (M.E.)	247	14	0.6	1.2

* Plus $30m subordinated loan with $50m of new capital to be subscribed in 1985.
† In addition to undisclosed specific charges against income, $17m was transferred from the general reserve to loan loss provision.
‡ Includes SR 85m subordinated loan on which interest is paid at market rates.

Compiled by Mary Frings.



Terry Kirk

Gulf International Bank's head office in Manama.

Insurance upturn expected

Arig

MARY FRINGS

THE ISLAND of Bahrain is still a very small dot on the world insurance map, even though it plays host to the heavily capitalised international re-insurance group ARIG, and to nearly 40 other underwriting companies, brokers and agents.

As more offshore companies come *in*, and the insurance law which is now in the final stages of preparation is implemented, Bahrain could have a significant role to play as a regional *insurance centre, although* take-off is unlikely to be as spectacular as it was in the early days of offshore banking. If the growth curve is flatter perhaps it *might* be *longer*.

For direct insurers, the most obvious prospect is the Saudi market where the concept of insurance is not officially recognised and no commercial framework exists for the local registration of underwriters and agents. But many adventurers have lost their shirts in Saudi Arabia, and establishing a viable operation from offshore requires a high degree of both local knowledge and technical expertise.

There is also the possibility, albeit a distant one, that the shutters will come down on those companies which are not *100 per cent Saudi-owned*.

Onshore, the potential for expansion is limited. Gross premium income in 1983, according to Bahrain's Ministry of Commerce, amounted to only $58m, and the figure is unlikely to have grown in 1984.

There are 18 insurance com*panies operating* in *Bahrain's* domestic market, but three-quarters of the gross premiums are collected by the five "nationals" which are incorporated locally. These five have a monopoly on government-related business, even though their retentions may be minimal.

The privilege is jealously guarded, and Bahrain Kuwait Insurance Company complained bitterly in its 1984 report about "master-minds in offshore broking offices and exempt companies" who seemed to be knuckling in.

Last year was clearly a trying one, because of "harmful irresponsible rate-cutting" and difficulties in obtaining re-insurance cover in unprofitable motor lines. Four of the five locally-incorporated companies managed to show a positive result overall, but Al Ahlia, which still had to publish its results at the time of writing, was expected to show a substantial loss.

Watchful eye

Pending the application of the insurance law, little is known of the activities of the closed offshore companies; but the *Ministry of Commerce is beginning* to keep a watchful eye on Gulf Union and Arab International Insurance, whose shares are publicly quoted.

As a re-insurer, Arab Insurance Group (ARIG) is in a very different class. It was set up four years ago by the governments of Kuwait, Libya and the United Arab Emirates (UAE) with a brief to increase Arab partcipation in the global market, and endowed with an authorised capital of $3bn. Even though it is only 5 per cent paid up, it is still a tidy sum, which ARIG has used with circumspection.

In the period covered by the 1984 report, just over 35 per cent of ARIG's business was drawn from the Arab world, 20 per cent from Asia, 15 per cent from Europe and 13 per cent from North America. Gross premiums increased by 10.7 per cent to $93.4m, of which $83.6m was retained, but net income fell sharply from $13.7m to $2.8m.

The deterioration in perfor*mance was attributed* to increased underwriting losses (from $3.5m to $7.6m), related to treaty business in property and marine lines, and to lower investment income (from $26.7m to $20.1m).

However, the leadership vacuum has now been filled with the appointment of Nooruddin A. Nooruddin, a former banker, as general manager, and the directors say in their report that ARIG enters 1985 with more confidence.

"A stronger management structure is in place and better technical capabilities have been acquired. This, coupled with an expected improvement in market conditions, should make it possible for the company to achieve better results."

Quest for quality business

Domestic Banking

MARY FRINGS

BALANCE-SHEET growth has always been a cause for congratulation in Bahrain's onshore commercial banking community. But perceptions are changing and bigger is not necessarily better in an economic climate described in annual reports either as dull, constrained, difficult or "challenging."

According to Mr Hassan Juma, general manager of National Bank of Bahrain (NBB): "If a bank can reduce its portfolio without affecting profitability, that is an achievement."

So he is happy with a consolidated interim result which shows a 5½ per cent decrease in total assets to BD 604m ($1.6bn) and an 8 per cent increase in net profit to BD 6.7m. Loan loss provisions are charged against income only at year-end.

Loans, advances and overdrafts were reduced by 13 per cent, which together with a useful 8½ per cent increase in current, saving and deposit accounts enabled NBB to cut its inter-bank borrowings by 14 per cent. But a less satisfactory development was a recession-induced 31 per cent drop in off-balance-sheet letter-of-credit and guarantee business.

Because of its Kuwaiti branch operation, which is understood to represent close to one third of its consolidated assets of over $2bn, the joint-venture Bank of Bahrain and Kuwait (BBK) has been unable to get its mid-85 results out so promptly.

Although both BBK and its 49 per cent government-owned rival have an off-shore banking licence in addition to their Full Commercial Bank (FCB), in neither case is the OBU run as a separate unit. NBB has a small and admittedly struggling branch in Abu Dhabi, while BBK's last annual report seems to take the line that the least said about its Kuwait branch the better.

Fortunately BBK is a strong and well-capitalised financial institution with ample reserves, since inevitably it is more heavily exposed than other FCBs to Kuwait and its bad debt problems, many of which remain unresolved nearly three years after the stock market crisis.

It is certainly not the only bank to have lent money to investors to buy shares, and to have taken those now far less valuable shares as collateral. Or to have on its books merchants, contractors and property-owners who, because of the downturn in trade and construction activity and a 25-50 per cent drop in rents, can no longer service their loans at the same rate.

Even some of the biggest local companies are illiquid, because their main assets are *offshore* and everything they have in Bahrain belongs to the banks.

The five locally-incorporated commercial banks—including Grindlays Bahrain and the newly-operational Bahraini-Saudi Bank, as well as third-ranking Al Ahli Commercial, are all invited to tender on a competitive basis for government deposits. But NBB does have the advantage of holding current accounts for a number of government departments, in return for which it handles their monthly salary payments. The Government, insists Mr Juma, gives nothing away free.

Restructured

Grindlays Bahrain, which was restructured as a 60 per cent local bank in May last year, has not only gained access to these deposits but to government-related bonding, guarantee and LC business. Whereas foreign banks are not permitted to extend their branch network, Grindlays has already opened two new offices and plans to go ahead with more.

Bahraini-Saudi Bank, which opened only in February, is full of ideas for gaining a foothold in the market but is prepared for a long haul. One of its products is a life insurance-linked savings account for customers under 60 years of age who maintain a minimum balance of BD 1,000. It also pays 6 per cent interest.

BBK is publicising a high-earning "Money-Maker Account" to attract foreign currency deposits, but the bank's main new marketing thrust will be into India and Turkey, where it has obtained branch licences.

No one has yet emulated BBME, which has installed Automatic Teller Machines (ATMs) at all its branches and achieved a 20 per cent increase *in* profit last year, although the first half of 1985 has been less encouraging.

Bahrain's domestic banks

Ranked by size of assets on December 31 1984
(in BDm (BD=$2.65)

	Assets	Contras	Advances	Net profit (loss)†
National Bank of Bahrain*	369.9	205.2	178.2	10.3
Bank of Bahrain and Kuwait*	298.4	59.0	179.3	10.1
Al Ahli Commercial Bank	158.4	58.5	99.4	2.4
Standard Chartered*	136.6	38.2	70.8	1.8
British Bank of the ME*	101.6	26.9	73.0	2.3
United Bank	45.6	6.6	18.2	0.7
Bahrain Islamic Bank	42.9	4.3	20.7	3.0
Habib Bank*	31.5	2.6	11.5	0.16
Bank Melli Iran	30.9	0.1	25.6	0.05
Grindlays Bahrain	30.5	22.3	12.9	0.21
Bahraini Saudi Bank‡	21.8	—	—	1.5
Arab Bank*	20.8	4.6	6.5	0.1
Banque Paribas*	18.9	7.9	13.3	(0.9)
Citibank NA*	14.9	4.1	6.6	0.6
Algemene Bank Nederland*	13.5	1.5	6.5	0.09
National Bank of Abu Dhabi*	13.3	4.8	8.6	(1.1)
Bank Saderat Iran*	11.6	0.2	11.2	nil
Rafidain Bank	16.2	2.4	7.2	0.19
Banque du Caire	4.3	0.7	2.3	0.04
Chase Manhattan Bank*	2.9	43.1	1.3	0.37

* Does not include OBU or overseas branch.
† After provision for bad and doubtful debts.
‡ Not operational until 1985.

Source: Bahrain Monetary Agency.

Both BBME and Standard Chartered have a long history in Bahrain and a *loyal customer* base. It remains to be seen whether they will eventually lose market share to aggressive new local banks, but there is no sign of their following the route Grindlays has taken.

Higher costs

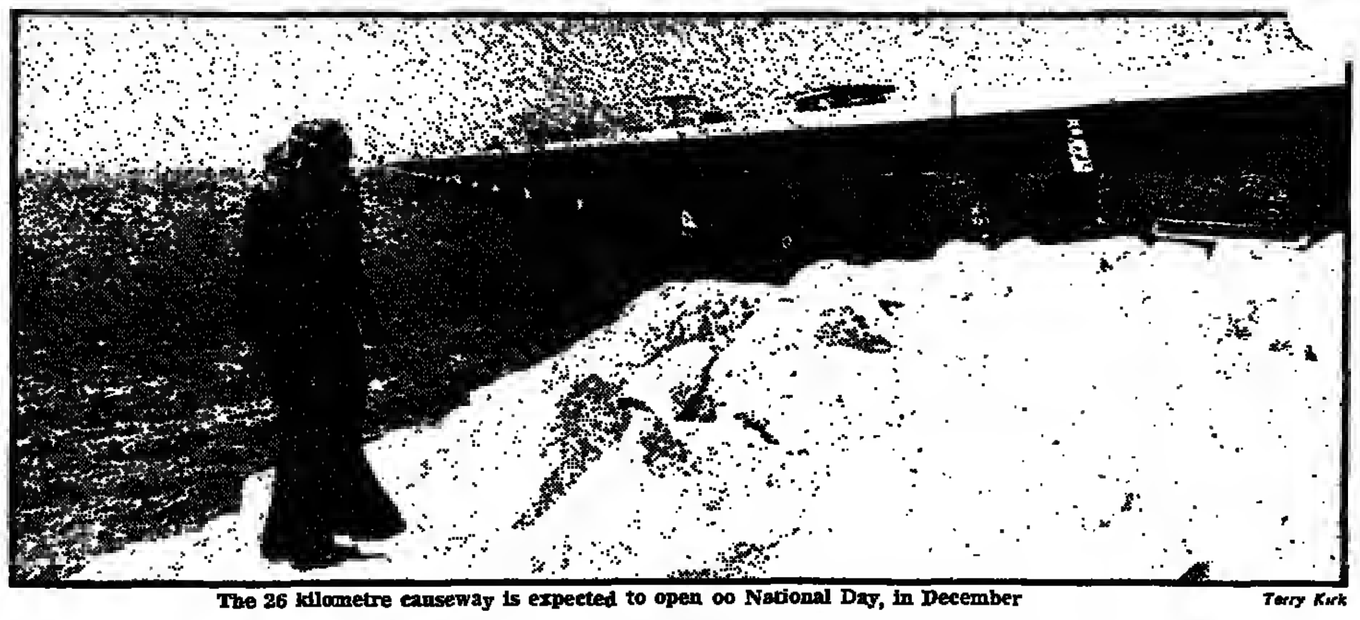
The local banks had 67 per cent of aggregate assets last year and 70 per cent of the contra business. Including Bahraini-Saudi Bank (which earned interest on its BD 20m of paid-in capital), they also accounted for 88 per cent of the profits—with Bahrain Islamic Bank ranking third in the earnings league because of low provisions and very modest operating costs. Al Ahli Bank's costs went up sharply as a result of its move to a new headquarters and heavy investment in technology.

The remaining foreign banks in the market either serve their national communities or survive as appendages to a more important OBU. Paribas and National Bank of Abu Dhabi recorded substantial deficits, not only because of loan loss provisions but *because* their branches *cost* more to run than they actually earned.

Among monetary developments affecting the domestic *market this* year *was* the inclusion of negotiable certificates of deposit in the Bahrain Monetary Agency's calculation of reserve requirements, which amount to *5 per cent* of Bahrain Dinar deposits and 1 per cent of foreign currency deposits.

Maximum recommended deposit rates were reduced by ½ per cent on June 1, in line with the fall-off in dollar interest rates, and this was followed by a reduction in the prime lending rates which banks are required to display to the public. All major banks are now quoting 10-10½ per cent.

The BMA regards the local liquidity situation as quite good, and says the banks have not had recourse to its BD swap facility for the past three years. But the feeling in the market is that there has been "less money about" in the past three months.



The 26 kilometre causeway is expected to open oo National Day, in December

Terry Kirk

The link with Saudi Arabia

Mary Frings discusses the $40m-a-mile road link and looks at its impact on Bahraini society and the economy

ON APRIL 11 tbis year, tba last gap in the $40m-a-mila road link between Bahrain and Saudi Arabia was bridgad.

Before e large gathering of dignitaries on the Bahrain sida of tha madieo lioe, e gaily decorated box girder was swung into place, a red carpet was rolled out aod Bahrain's Prime Mioistar walkad across, accompanied by Mr Mobamed Abalkbail, the Saudi Finance Minister.

From the main span, still unprotected by balustrades and a vertiginous 28 metres ebove saa lavel, tha Bahraini coastlina merges into the dust baze but the buga desalinatioo plant and higbrise office blocks on the Saodi shore look very close.

Since February, access to the site bas beao restricted in preparation for tha link-up. There are oo more jollies for wives, children and friends of suparvisory staff, aod oo sigbtseer gets through the security gata at Jasra without higb-level official authorisation. Ballast Nedam bas always ruo a "tight sbip," with no alcobol allowed anywhere on the worksite or in tha labour camp.

As far as the main causeway contract is concerned, there is a lot of work still to be done, but Mr Uffe Hansen, chief eogineer for Saudi Danisb Coosultants, says tbe job is running below budget and abead of time. Priority is being given to the border island facilities, which now ioclude panoramic restaurant towers on either side.

Barring accidents, the opening ceremony will be held on Bahrain's National Day, December 16, rathar thao oo the contractual completion date nearly five weeks later.

Although the causeway will bo open for official traffic before the end of the year, it is not yet clear wbeo private and commercial vehicles will be abla to use it. Only the first pbase of the feeder road system will be completed, and the border stations will not be ready for another four months.

It might be possible to set up temporary border stations, suggests Sheikh Ibrahim Abdulla Khalifa, the project co-ordinator for Bahrain's Ministry of Development and Industry, but that decision will be up to the govarnments on either side. A bi-lateral Causeway Authority to be responsible for operation and maintenance will be formed soon.

Bahrain's Cabinet has delegated a committee beaded by the Minister of the Interior to look into all the security aspects, and customs and immigration officials are busy trying to work out how to carry out all the normal border checks oo vehicles, baggage and freight withont causing a log-jam.

A Saudi official has estimated the timo needed to pass through the two customs and immigration posts as a minimum of 90 minutes, but Mr Khalil Motawa, Bahrain's Director of Customs, says that on his side the aim is to expedite procedures so that vebicles do not stay loogar than 15 minutes, depending on the volume of traffic.

The original feasibility study projected two-way traffic flow by 1990 of 30,000 cars a day, 2,037 light goods vehicles and 873 heavy trucks. Mr Motawe regards those figures as exaggerated, and is basing his studies on 250 vehicles an bour, rising to 500 at peak periods.

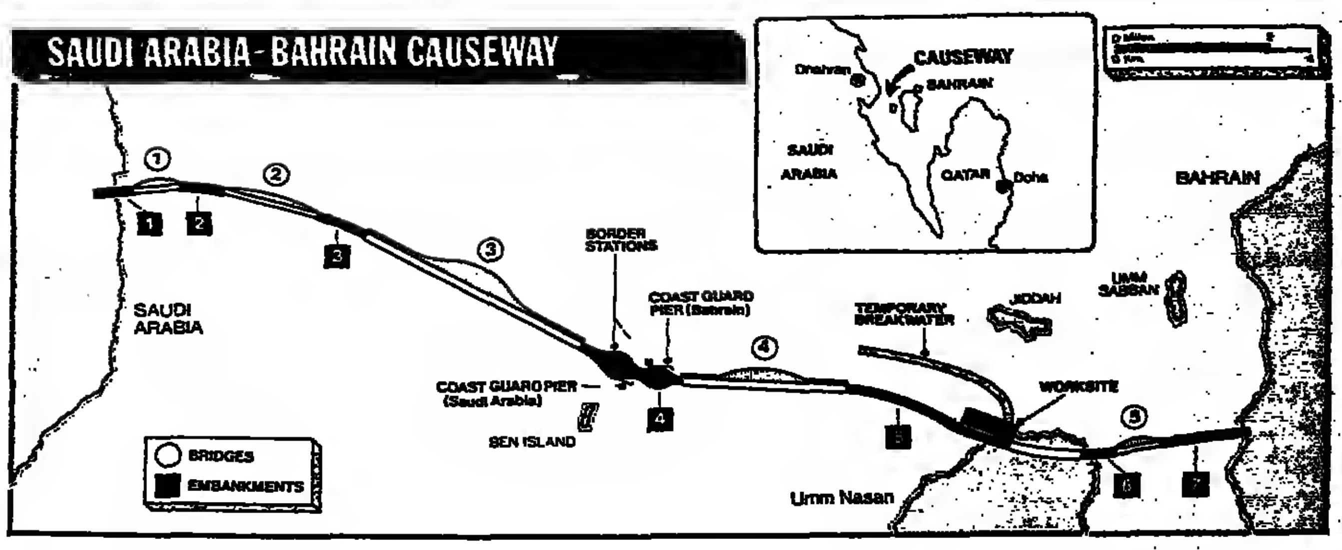
Some of the traffic might not cross the border at all. If toll charges are not prohibitive, it might become a popular onting to drive up to the island, speod the afternoon fishing, have a meal at a restaurant 56 metres above sea level, and turn around and come back.

"We hava not ruled that out," says Mr Yousuf Shirawi, the Minister for Development and Industry. "Wo are making changes in tha traffic flow system to allow a return before tha boundary — aftar all, someone might forget his passport. But we will be guided by exparience. We doo't want to produce a cast-iron policy and get stuck with it."

Initially at least, cross-border travel will be restricted to citizens of tho Gulf Co-operatioo Council (GCC) and expatriates with the requisite visas. The rules will be no differeot from those governing entry by sea or air.

Although soma people in Bahrain hope that after a 6-12 mooth trial period, expatriates with residence permits may be allowed to drive across as freely as GCC citizens, with a simpla passport inspection, the signs are that Saudi Arabia has no intention of relaxing its visa requirements.

The "park and ride" idea aimed at redncing both congestion and possible drunken driving on Bahrain's roads bas been dropped. The laws against drinking and driving are "adequate," according to one government official, and fly-overs on the 10 km of new or upgraded approach roads will ensure a smooth transfer into and out of town. Trucks and buses will drive a restricted route, but it is thought that the much improved internal road system will be able to handla the extra cars.



Project supervisor: Saudi-Danish Consultants (Al-Muhandis Nizar Kurdi, Cbristiani and Nialsen A/S, Kampsax intarnational).

Client: Ministry of Finance, Saodi Arabia.

Total cost of contracts 1-4: $900m.

Contract 1 (causeway): Awardad in 1981 to Ballast Nedam Groep (BNG) on their alternative bridge design; completioo January 20, 1986. Includes seven embankments (12.5km), five bridges (12.5km), and a 660,000 sq m island for the two border stations. Cost $564m, raised to $600m by various provisions.

Contract 2 (border stations): Awarded in August 1984 to BNG; completion April 26, 1986. Cost $100m. A supplementary contract for tower restaurants (90m to the top of the flagpole) on each side was awarded on May 18, 1985, for completion October 17, 1986. The original contract covers 49 buildiogs for customs, immigration, health, civil defence, etc, plus two 230 cu.m a day desalinatioo plants and two sewage treatment plants.

Cootract 3 (Saudi approach roads): Awarded in April 1985, to Al Kobari of Saudi Arabia; completion in 20 mooths. Includes 35km of motorway with seven interchanges.

Contract 4 (Bahrain approach roads): Awarded in April 1985 to Nasir bin Hazza and Bros of Saudi Arabia, with BNG as sub-contractor for the bridges. Includes 10km of motorway with three interchanges.

The Causeway means Bahrain is no longer an island

THE ECONOMIC impact of the causeway gives rise to endless discussion bot this is really a side-issue. Its primary purpose is to create a pbysical link with Saudi Arabia which will protect Bahrain from predators and guarantee the stability of the Khalifa regime.

Today, Bahrain has ceased to be an island, and if that fact involves some loss of independence, so be it. In the words of one senior Bahraini: "What indapendence did we have anyway?"

The idea of a life-line to Saudi Arabia was born just over 30 years ago during a visit to Bahrain of King Saud bin Abdul Aziz. It is significant that the Fiftias were years of internal dissension, marked by conflicts between tha Sunni and Shia communities and a subseqoent joining of forces to demand political reform.

The idea was revived at intervals, with the initiative coming first from one side, theo from the other. The devout and conservative King Faisal is thought to have back-pedalled to some extent, fearing the moral erosion which might result from closer cootact with a more liberal neighbour.

The first real progress was mada in 1976 nnder King Khalid, and a committee was formed to study the practicalities. The Iranian revolution and the spread of Islamic fundamentalism no doobt burried things along.

It has been understood from the outset that Saudi Arabia would meet the entire cost, but there seems to be less likelihood now than there was a few years ago that "he who pays the piper will call the tune." There would be little point in banning alcohol in Bahrain when young bloods can, and do, spend a much wilder long weekend in Bangkok, and when the inevitable result of such a move would bo a thriving black market.

Political and sociological implications apart, the causeway will have a positive economic impact en Bahrain, and not just in terms of filling empty hotel rooms and finding tenants for rent-starved apartments. Many people, in fact, are coming to the conclusion that once the novelty value has worn off, the forecast flood of cars will become a trickle, and most business travellers will continne to use the "air bridge."

Firstly, it will boost Bahrain's export trade, which already exceeds the value of non-oil imports from Saudi Arabia. Aluminium cable and extruded section, for example, can be delivered more cheaply and efficiently by road.

Secondly, it will open up employment possibilities in the Eastern Province industrial zones, since finding jobs for Bahrain's educated young is going to be one of the big challenges of the future.

Thirdly, it will give Bahraini traders access to a bigger market and encourage healthy competition. Already the Chambers of Commerce on either side have looked into the possibility of recognised agents making joint purchases from manufacturers of cars, appliances and food products.

The early outcry from suq traders fearing loss of business or a serious squeeze on profit margins seems to have died down. In the recession, profit margins have fallen anyway, and Bahrainis are unlikely to make regular trips across the causeway just to shop at a supermarket.

They might be able to buy videos and electronic goods more cheaply in Saudi Arabia, where import duty is only 4 per cent—but imported goods are not covered by Gulf Common Market provisions. By the time the buyer had paid another 10 per cent in duty at the Bahrain customs check-point, he would not have much of a bargain.

If the development goes ahead visitors will meet Haroun Al Rashid and Sindabad instead of Mickey Mouse

A $180m tourist attraction

Zallaq project

MARY FRINGS

IT TAKES confidence to put a $170-$180m price-tag on a Gulf leisure development in these troubled times, and confidence in tha viability of an expensive tourist resort on a two-and-a-half mile strip of Bahrain's west coast seems to be less than exuberant in business and government circles.

As a concept, the Zallaq project bas everything: a luxury hotel complex on a man-made island, beach villas, cbalets and condominiums, a marina with catering and boat maintenance facilities, swimming pools, tennis courts, health clob, beauty parlour, a children's zoo, aviary, aquarium, funfair and theme park, plus lots of greenery and flowing water.

Possibly an air-conditiooed monorail to carry guests from one resort area to another, or as far as the neighbouring Al Areen Wildlife Sanctuary.

Although the sea is shallow for some distance offshore, the dredging of land-fill to create tha island and breakwaters would cut a channel for the approach of sizeable yachts.

Disneyworld

Even the project's harshest critics concede that an Arab versioo of Disneyworld would be popular locally, elthough the promoters are rather pained by references to anything so intrinsically American. They prefer to call their thema park a Haritage Park, whare visitors could meet characters such as Haroun Al Rashid and Sindabad instead of Mickey Mouse and Donald Duck.

Tbe critics also concede the need for a private beach whare families cao relax in pleasant surroundings, since none of the botels has ooa. But they question wbether it makes sense to build another five-star hotal, when tha Hilton, Sheraton, Regaocy Intarcootinental, Gulf, Ramada, Holiday Inn, THF Diplomat and Delmoo are all struggling for business. At weakends, it is the more moderately priced botels which are comparativaly crowded.

Tba weekend tourism pattern, and tha babit of visiting businessmen of staying no mora than one night, is a major problem facing the oawly-formed Supreme Council for Tourism, beeded by Mr Tariq Almoayyed, tho Minister of Information.

His first priority is to "sell" Bahrain to the Gulf holiday-maker, especially in tha preveiling climato of insecurity about international travel. More than 154,000 Gulf nationals came to Babrain "for tourism" last year, and Mr Almoayyad believes the number will multiply once whole families can be packed into cars and driven across the Saudi-Bahrain causeway.

Efforts to attract transit passengers through Bahrain Airport for two-to-three day stop-overs (with hotel packages averaging $50 e day), bave hrought in only a trickla of trade, and international package tours are rare indeed. The truth is that there is oot a lot to come for, apart from botel entertainments and swimming pools, a stroll around the colourful suq area and a trip in e dhow, although tha Ministry of Information is working hard to create more.

It has already opened a small but fascinating exhibition of scenes of traditional life and historical pbotographs in the restored Law Courts building, but unfortunately the exhibitioo is not well patronised. A oew art gallery and museum complex is being built at a cost of $35m, and old forts and houses are being preserved.

Theme park

Local people would undoubtedly flock in much greater numbers to Zallaq's funfair and theme park, but to ensure profitability the project is thought to need a botel and 120,000 staying guests a year, for a minimum of three room-nights.

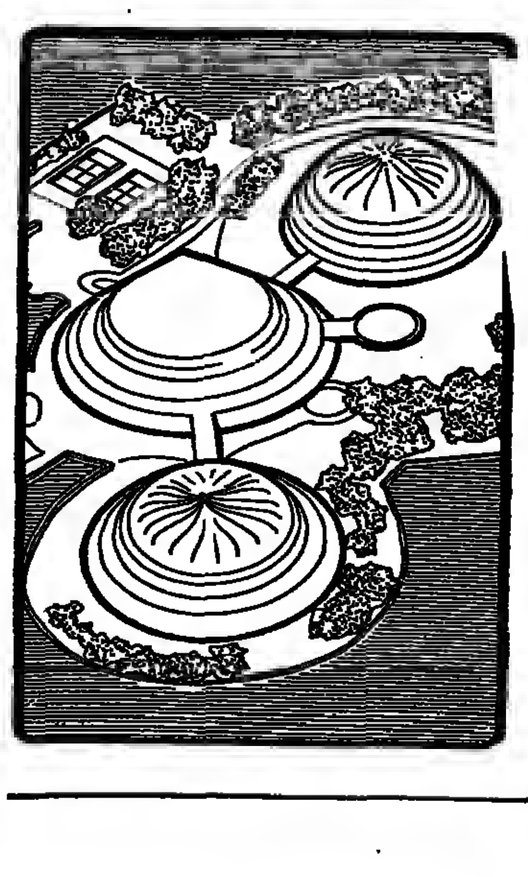
Given tho high cost of air travel and Bahrain's fairly restrictive immigration policy, Disneyworld, Zallaq, is unlikaly to rate very highly with international tour operators wbo are also offering Disneyworld, Florida. So its success seems to hang on being able to sell enough room-nights to those elusive transit passengers, and above all to families around the Gulf.

No further steps will be taken until the Cabinet gives its blessing, even though no government investment is involved. The Cabinet could accept or reject the whole concept, or epprove only a phased development, whicb would mean building the theme park and leisure centre, and postponing the hotel and marina.

In that case there might have to be a rethink on the financing structure, but under the original plan et least one third of the project sbould come from equity and the rest from commercial loans.

The dovelopment company's financial consultant, Dr Wolfgang Fahrenkamp, is understood to be in discussion with three international banks who will guarantee to arrange a loan package if equity contributions reach at least BD 20m ($53m)

Pending government approval, a private placement memorandum is under preparation for issue in August.



Facts and figures about Zallaq

Zallaq Tourism and Development Company (under formation):

Aotborised capital: BD 40m ($106m) of which BD 500,000 issued aod paid up.

Foundings shareholders: Unitraco WLL, Transitec Gulf WLL (both members of the Unitag Group) and Projects SA. Local, Gulf and international iovestors will be invited to participate.

Object: the founding abareholders wera given exclusive rights to form a development company for a resort project in Behrain, and a 25-year lease on a 4km strip of foreshore ownad by the Central Municipal Council.

Chairman: Sheikh Ebrahim bio Hamad Al Khalifa, member of Bahrain's ruling family and chairman of Projects Group. Also vice-chairman of two locally-incorporated banks.

Vice-chairman: Mr Mohamed Zubari, a director of Unitag Group (io whicb there are important Al Khalifa family interests).

Project managers: Alistair McCowan & Partnars, coosulting engioeera. A division ef Alison & Hutchinson & Partners of Edinburgh.

Financial co-ordinator: Dr Wolfgang Fahrenkamp, a Municb investment consultant.

Managing and ganeral contractor: Tarmac Ovarseas Ltd of UK in joint venture with Bahraini contractor Abdulla A. Nass. Tarmac-Nass will taka a 7.5 per cent equity staka in tha davalopment company.

Estimated construction period: three years.